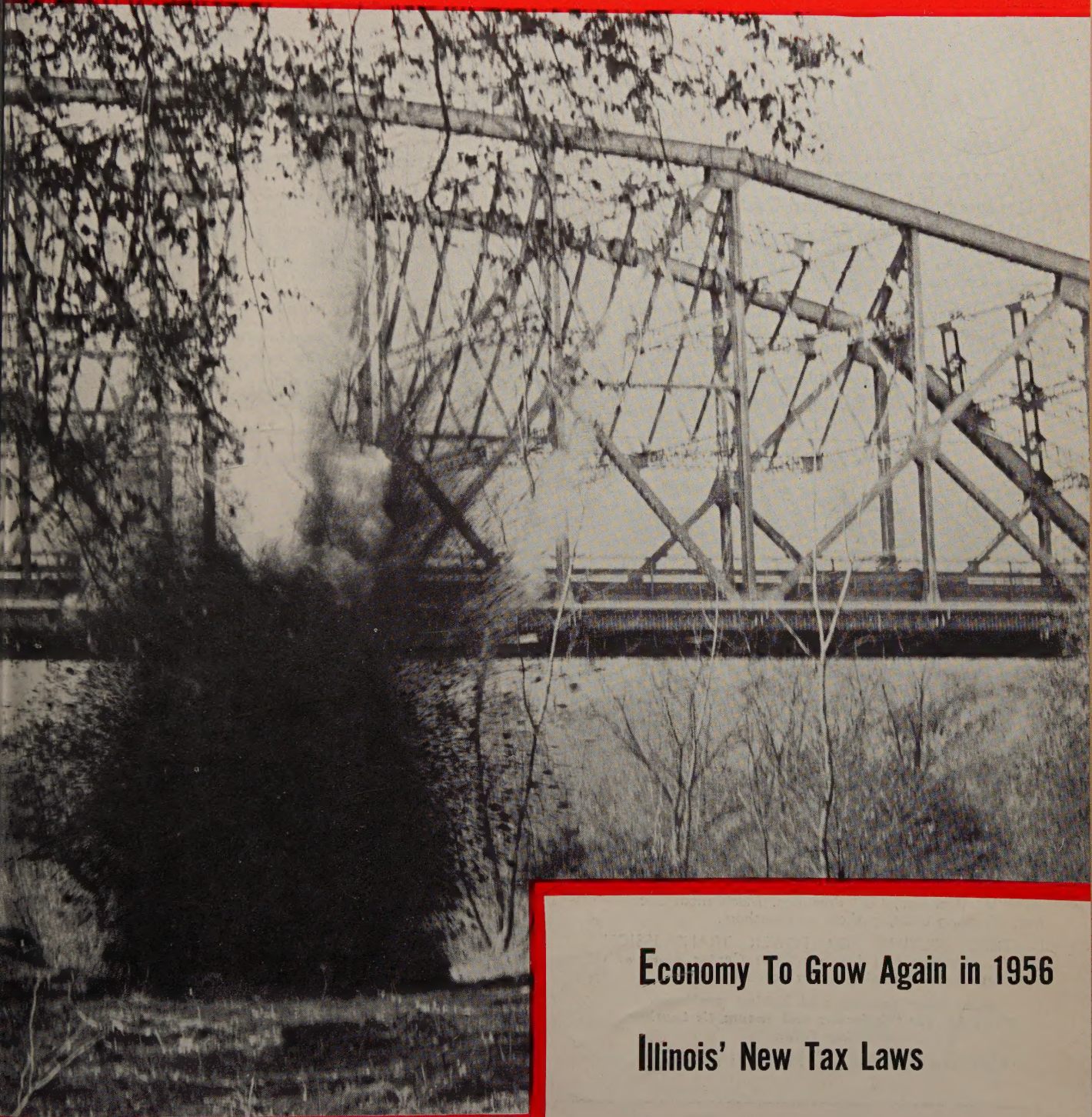


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# COMMERCE

NOVEMBER 1955 35c



**Economy To Grow Again in 1956**

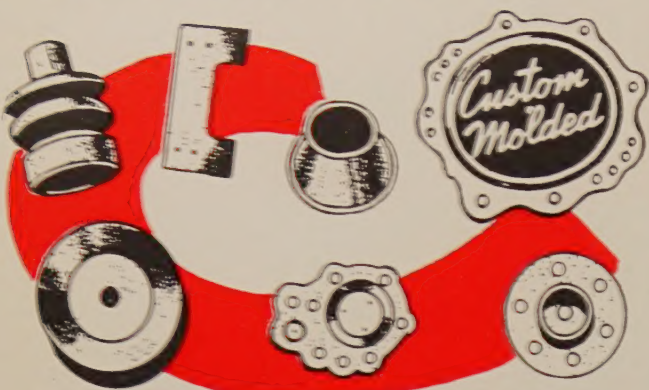
**Illinois' New Tax Laws**

**Around-the-Clock Salesmen**

After 20 years, an explosive start  
(See page 5)



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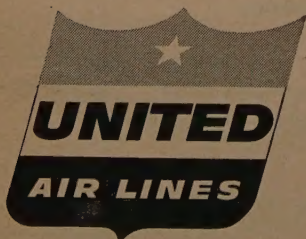
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## Chicago Business

	September, 1955	August, 1955	September, 1954
Building permits _____	1,027	1,454	9,000
Cost _____ \$	26,498,190	\$ 32,090,270	\$ 21,688,000
Contracts awarded on building projects, Cook Co. _____	3,020	3,467	2,100
Cost _____ \$	100,038,000	\$ 110,642,000	\$ 59,604,000
(F. W. Dodge Corp.)			
Real estate transfers _____	9,096	9,787	8,600
Consideration _____ \$	7,396,803	\$ 6,348,983	\$ 5,238,300
Bank clearings _____	\$ 4,410,480,278	\$ 4,564,005,844	\$ 4,044,991,500
Bank debits to individual accounts:			
7th Federal Reserve District _____	\$25,260,000,000	\$25,576,000,000	\$21,778,000,000
Chicago only _____	\$12,584,449,000	\$12,431,892,000	\$11,222,075,000
(Federal Reserve Board)			
Bank loans (outstanding) _____	\$ 3,179,000,000	\$ 3,052,000,000	\$2,704,000,000
Midwest Stock Exchange transactions:			
Number of shares traded _____	2,256,000	1,895,000	1,665,000
Market value of shares traded _____ \$	86,145,552	\$ 69,139,054	\$ 56,650,500
Railway express shipments, Chicago area _____	886,592	859,839	861,700
Air express shipments, Chicago area _____	76,641	73,545	65,800
L.C.L. merchandise cars _____	19,738	20,126	18,400
Electric power production, kwh _____	1,447,044,000	1,592,168,000	1,306,836,000
Industrial gas sales, therms. _____	12,734,212	11,809,709	11,218,000
Steel production (net tons) _____	1,807,100	1,822,100	1,255,500
Revenue passengers carried by Chicago Transit Authority lines:			
Surface division _____	42,470,834	41,222,098	43,067,900
Rapid transit division _____	9,091,426	9,197,723	8,931,800
Postal receipts _____ \$	13,253,223	\$ 11,990,231	\$ 12,661,100
Air passengers:			
Arrivals _____	414,361	401,753	340,700
Departures _____	435,857	426,867	352,700
Consumers' Price Index (1947-49=100) _____	118.9	118.5	111.0
Receipts of salable livestock _____	414,792	426,307	405,900
Unemployment compensation claimants, Cook & DuPage counties _____	30,787	37,900	67,300
Families on relief rolls:			
Cook County _____	26,798	27,331	22,900
Other Illinois counties _____	13,689	13,884	15,000

## December, 1955, Tax Calendar

Date Due	Tax	Returnable to
15	Illinois Retailers' Occupation Tax return and payment for month of November	Dir. of Revenue (I)
15	Last date for depositing in authorized depository social security tax and withholding tax if sum is \$100 or more and \$100 or more of excise tax from previous month	Authorized Depository
15	Second and final payment of 5% of estimated 1955 tax by corporations. Payment to	District Director of Internal Revenue
31	Secure motor vehicle licenses for passenger cars and trucks for 1956	Secretary of State
31	Chicago concerns secure city vehicle licenses for 1956	City Collector



# COMMERCE

**Magazine**

**Published since 1904 . . . by the  
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**November, 1955**

**Volume 52**

**Number 10**

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**in this**

**issue...**

Our economy will continue to grow in 1956, Allyn P. Evans predicts on page 13. It won't be a boom year but it will be a year of normal growth and as such another good year for business. On page 15 attorney Willard Ice discusses the new changes in the Illinois laws involving the retailers' occupation tax, use tax and the municipal retailers' occupation tax.

Business men are finding that they can save time and money by flying their own planes in the course of their official duties. As a result business planes are now flying more hours than the nation's scheduled airlines (page 16). On page 18, Phil Hirsch brings us up to date on vending machines and the new uses for them in, and in place of, company cafeterias.

Starting on page 20 are two pages of pictures depicting some current "Business Highlights." Winding up this month's articles is a piece by Philip Lesly, page 22, who warns about buying too much public relations.

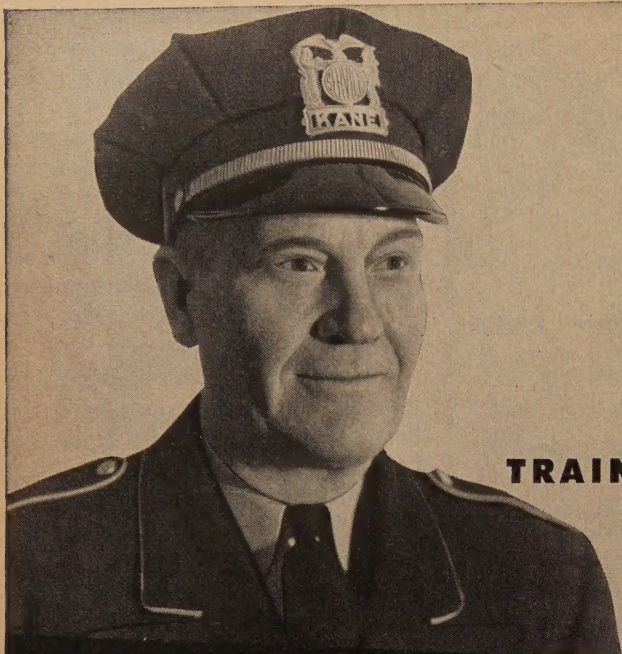
### Our Cover

Any gopher who makes his home in the area of Sag Junction near Lemont, Illinois, knows that the explosion shown on our cover was only the first step in the long-sought widening of the Calumet-Sag Channel. For after this dynamite blast there were some others that marked the commencement of the work to widen a three mile stretch from 60 to 225 feet.

Later work, in addition to widening 13 miles more of the channel, includes the replacement of low railroad and highway bridges and the construction of a lock at the Calumet River. The result will be 23.8 miles of waterway from Sag junction eastward to Lake Calumet that for the first time can handle continuous two-way traffic.

Within five years after completion U. S. Army engineers predict that 8 million tons of cargo will be handled on the Cal-Sag, compared to the 3.5 million tons that now squeeze through the narrow passage. In 25 years they expect the volume to reach 18 million tons. The picture was taken by Cy Marlewski, U. S. Army, Corps of Engineers.





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# The Editor's Page

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## *Doing Our Own Spending*

Not quite three years ago when the Eisenhower administration took office, there was grave fear in some quarters that any material shrinkage in the federal budget would force the economy into a tailspin. These fears were based, of course, on the theory that the government had to prime the pump by heavy spending — preferably deficit spending. For 20 years this had been official government doctrine. The federal budget, in fact, had shown a surplus in only two of 20 years.

The Eisenhower administration took the contrary view that establishing a healthy economic climate for free competitive enterprise was an incomparably better way of encouraging sustained economic growth. The record since 1953 under this philosophy is well known. Except for a brief adjustment to the ending of the Korean War, we have moved from one new high to another, until within the last six months federal monetary authorities actually had to tighten credit because the economy was bumping against capacity.

Not so well known, however, is the extent to which the federal budget has been pared. Roland R. Hughes, director of the bureau of the budget, recently reported on this before the Economic Club of Chicago. Here are some highlights from his review. Federal spending is being reduced for the third successive year. Net federal expenditures for the year are now estimated at \$14 billion less than was recommended in the last budget of the Truman administration. Federal expenditures have been reduced from \$484 per capita as proposed for 1954 by the Truman administration to \$383 a person, an annual cut in the cost of federal government of almost \$400 for an average family of four.

When the Eisenhower administration took office, unpaid balances of appropriations already made totalled almost \$80 billion. In the years since, new appropriations have been kept below current income from taxes and by the end of this fiscal year, the \$80 billion of advance appropriations will have been cut to \$50 billion.

How, in the face of this vast contraction in government spending, has the economy not only continued to prosper but grown by leaps and bounds? The answer is that there has been a dramatic shift from public to private spending. According to Budget Director Hughes, government expenditures proposed in the final

budget of the Truman administration would have totalled 26 per cent of the national income. Last year the actual figure was 21 per cent, and it is estimated for the current year at 20 per cent due to the combined effect of the reduction in federal spending and the increase in national income.

In short, we are spending much more of our own money instead of letting Uncle Sam do it. Judging by the number of new automobiles, television sets, trips to Europe, and what not being sold, we are enjoying the change immensely.

## *Economics of Medical Care*

The American Medical Association has conducted an exhaustive study of the economics of medical care over the last quarter-century. The facts produced are noteworthy. In 1930, a fraction less than four per cent of personal consumer expenditures went for medical care. This proportion remained fairly constant for years. Since World War II, however, it has risen to about 4.35 per cent, the main reason being the tremendous postwar rise in the birth rate. The increased number of babies and young children has affected not only hospital and obstetric expenditures, but has increased the demand for other medical services, since the youngest age group normally requires the most frequent medical attention.

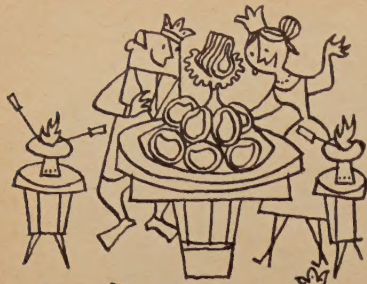
The U. S. Bureau of Labor provides additional significant evidence. The bureau's consumer price index was at 191.9 in 1954. But the index for medical care and drug prices was well under that level — 173.9. And the indexes for physicians' and dentists' fees were 160.3 and 174.5, respectively.

The AMA also reports that, over the 25-year period, the average income of physicians rose at almost exactly the same rate as the average earnings of wage and salary workers.

All in all, these facts verify this AMA statement: "The various providers of services and commodities in the medical care 'industry' can well be proud of a quarter century record that included great medical advances . . . while little change occurred in the industry's relative economic position."

*Alan Sturdy*





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# Here...There... and Everywhere

• **Quality Control Meeting** — The tenth annual training course in quality control will be held November 7 and 8 at the Hotel Sherman in Chicago. Registration fee for the two-day meeting is \$25 per person. Besides the instruction sessions the fee includes a training manual and supplies and a luncheon on the second day. The Chicago Association of Commerce and Industry and the American Society for Quality Control (Chicago Section) are the sponsors.

• **From Here To Eternity** — The 61 million registered motor vehicles and 72 million licensed drivers in the United States are piling up mileage at the unprecedented rate of more than 560 billion miles a year, the Automobile Manufacturers Association reports. This is a yearly average of 9,200 miles per vehicle, and 7,800 miles per driver.

• **Sharp TV Pictures** — American Can Company is using television in its Cincinnati, Ohio, machine shop for the inspection of chrome-plated scraper blades used in lithography coating machines. The TV camera magnifies the edge of the blade 288 times and projects it on the TV screen between two thin lines which indicate tolerance limits. Any blade with an irregularity that exceeds the space between the lines must be discarded. The TV inspection is twice as fast and more accurate than the old microscope method according to the company.

• **Diamond Jubilee Meeting** — The American Society of Mechanical Engineers will climax recognition of its diamond jubilee year with its 75th anniversary meeting in Chicago, November 13 through November 18. More than 4,000 mechanical engineers are expected to attend the six-day conclave at the Congress,

Conrad Hilton and Sheraton-Blackstone hotels. It will be the first time the ASME has held an annual meeting in Chicago.

• **Rolling Stock** — The major railroads had 704 new locomotive units on order as of September 1. It was the largest number on order in any month since May, 1953. All units were diesel-electric except for 1 electric. The backlog of freight cars on order as of September 1 stood at 52,803. This compares with 42,888 on order as of August 1, 1955.

• **For Taming Bulls** — If you own any belligerent bulls, you can make them into Ferdinands with the new bull-taming device developed by the Hot Shot Products Company, Minneapolis, Minnesota. The device resembles a halter and fits over the head and neck of an unruly bull. If the bull does any butting he gets an electrical shock. Eventually the bull associates the shocks with fighting and stops. Thus, the animals no longer maim and cripple themselves and are more productive sirloins, according to General Dry Batteries Inc., which makes special high performance batteries for the bull taming device. How the halter is put on the unruly bull was not disclosed.

• **Citizens Meeting** — Richard Daley, Mayor of Chicago, will be the principal speaker at the fourth annual meeting of the Citizens of Greater Chicago. He will speak at the luncheon session on November 15 at the Midland Hotel. There will also be a morning business meeting of the CGC and three free workshop sessions covering judicial, election and housing problems.

• **Metal Working Center** — Chicago ranked first among the nation's leading metal working centers in 1954.

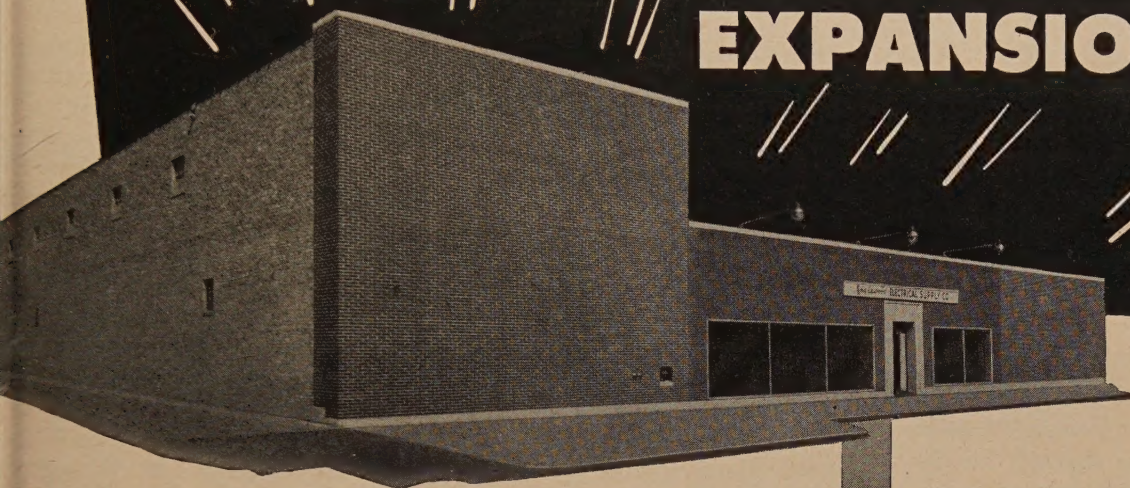
(Continued on page 44)



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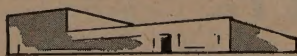
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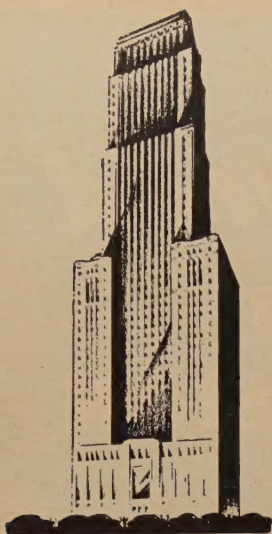


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## Trends . . . in Finance and Business



• **The Chicago Outlook**—Chicago area companies expect their sales and profits in the last quarter of 1955 and first quarter of 1956 to top their third quarter sales and profit level.

Of 515 firms participating in a survey taken by the Chicago Association of Commerce and Industry, 32 per cent reported business "excellent" at the end of the third quarter and another 51 per cent reported it as "good."

Here is a tabulation of the outlook for the next two quarters as predicted by the 515 companies:

	HIGHER		NO CHANGE		LOWER	
	4th Q 1955	1st Q 1956	4th Q 1955	1st Q 1956	4th Q 1955	1st Q 1956
Sales	48%	47%	40%	32%	10%	17%
Profits	38%	34%	41%	36%	17%	24%
Inventory	22%	21%	45%	40%	14%	19%
Employees	23%	22%	69%	62%	5%	11%
Wage Rates	33%	45%	61%	47%	0.4%	0.2%
Prices of						
Supplies	50%	58%	39%	29%	1.0%	2%
Firms own						
Prices	24%	31%	67%	57%	2%	4%

• **State Tax Collections**—The new high record of \$11.6 billion in 1955 state tax collections is almost three

times the \$3.9 billion collected 1942 according to a report by Commerce Clearing House.

Based on U.S. Census Bureau figures, 27 states have more than tripled their tax collections since the outset of World War II. Florida tops the list with almost a fivefold increase for the period.

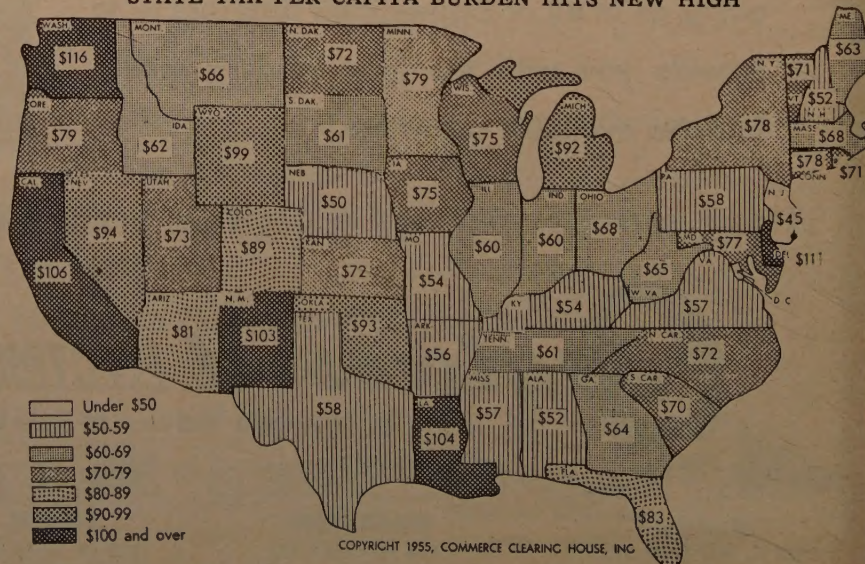
New Mexico, Wyoming, Maryland, California, Georgia and Nevada state tax collections are four times their 1942 totals.

The national average per capita state tax burden for 1955 was \$72.2, an increase of approximately \$10 since 1942.

• **The Bank Picture**—In the years since December 31, 1934, the number of banks in this country has decreased 1,692, while the number of branches has increased 3,293. A. M. Wiggins, Chairman of the Board of Bank of Hartsville, Hartsville, South Carolina, reports. Many of the banks were converted into branches.

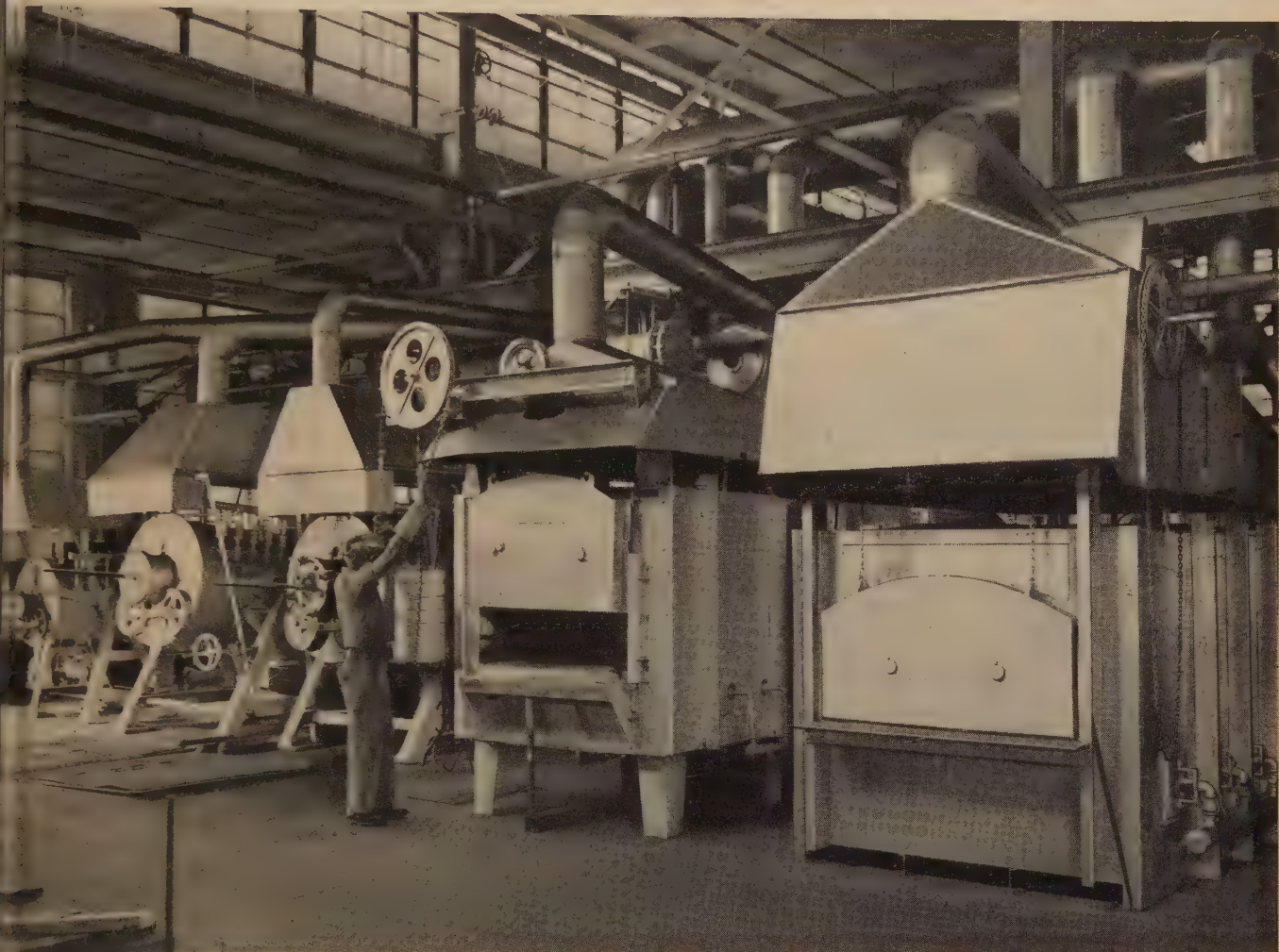
In the past five years, the number of banks has decreased 327, while the number of branches has increased 1,111.

STATE TAX PER CAPITA BURDEN HITS NEW HIGH





# GAS at work for Chicago's Industry



Battery of five gas-fired carburizing furnaces at the plant of the Miehle Printing Press & Manufacturing Co., 2011 W. Hastings St., Chicago, used for the heat treatment of gears, rollers and shafts.

Miehle, a pioneer and one of the leaders in the manufacture of printing equipment since 1890, is a well-known name in Chicago's industry. Founded in this city, the Miehle Company has grown with Chicago and has expanded with the printing industry. Today, Miehle presses are shipped to all parts of the globe.

Few industries in all the world can compare with printing so far as contributions to mankind's progress are concerned and the Miehle Company is intensely proud of its record in the development of it. Miehle uses gas for such heat treating operations as carburizing, hardening, stress relieving and annealing.

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# Economy To Grow Again in 1956

By ALLYN P. EVANS

***Next year should be another big year for business with  
gross national product rising to about \$400 billion***

It is a little early in the season for a man of my trade to dust off his forecasting paraphernalia and start crystal gazing into the coming year. December and January are the months usually reserved for this precarious occupation. However, here is the outlook for 1956 as we see it today.

Unless some foolish mistakes are made, 1956 should be another good business year. It should not be a year of recession but one of normal growth. Now I am not predicting that 1956 will bring a boom on boom, for 1955 will go down not as a year of normal growth but as a year when resurgence from a business recession was added to normal growth.

What do I mean by "normal growth"? Our country has had a long historic record of growth, based upon persistent increases in population, productivity, and improvement in the standard of living of our people. Expressed in terms of gross national product this long term growth trend has averaged over the years

between three per cent and four per cent a year. So for our purposes we consider a three per cent to four per cent increase in the gross national product as "normal growth." In our opinion, 1956 should be such a year.

Having stated our conclusion first, I would now like to discuss where we are today and then use the current environment as a springboard from which to plunge into 1956. To begin with this has been a civilian boom. It has not been generated by increased government spending or grants and loans abroad. The federal government has been a negative factor, for its expenditures are off about \$4 billion.

## ***Durable Goods Boom***

Another fallacy that should be laid to rest is that this has been a durable goods boom, more particularly an automobile boom. Actually, the \$14 billion increase in personal consumption expenditures has been fairly evenly distributed all along the line between durables, non-durables, and services.

Three major factors have brought about the current expansion in consumer spending. First, the increase in population has automatically raised the demand for goods and services. Second, the long range growth

trend in the standard of living calls for an increase of 1½ per cent to two per cent per year in the consumption of goods and services. Third, the controls and high tax rates in force during the Korean War restrained this trend and caused to be built up a backlog of deferred demand. This indicates that the increase in population will account this year for about \$4 billion in consumer expenditures, the normal increase in the standard of living another \$4 billion, with the balance of about \$6 billion coming out of the backlog of deferred standard of living demand.

While the consumer has been increasing his expenditures, business has increased its investments by \$13 billion. Of this increase the inventory swing accounts for \$7 billion. Inventories follow a pattern of accumulation and decumulation. These cycles are very clearly observable and regular. The change in direction or swing is what has the real effect on business. For instance, a year ago inventories were being drawn down or decumulated at an annual rate of \$3 billion, whereas this year they are being accumulated at an annual rate of \$4 billion. Thus, so far as business activity is concerned, the effect is equal to the total of the swing. The combined result of the increase in consumer

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Automobile production in 1956 should not be drastically below the 1955 level as many fear it will.

General Motors Corporation Photo



spending and business investment will raise the Federal Reserve Index of Industrial Production this year ten per cent above the level for 1954.

This increase in the index is substantially above its long term growth trend. The reason is that in 1954 the index of industrial production fell substantially below its long term relation to gross national production. This relationship has been reestablished in 1955. In other words, the gain in industrial production from 1954 to 1955 has been part resurgence from a low level and part normal growth. Roughly 40 per cent of the gain this year is normal growth, and roughly 60 per cent is resurgence.

### *Wage Increases*

The resurgence has been so rapid and strong that it has created problems. It is because of these problems that both the Administration and the Federal Reserve Board have been employing restraints on the economy. This has given ground to the fears expressed by many that business will go into a tailspin before very long. Let us look at these problems and appraise their risks.

The resurgence provided labor with a business environment in which it could demand and receive wage increases far beyond any possible comparable improvement in productivity. With consumer demand strong, business is passing on the increase in labor costs in the form of higher prices. Raw material prices have been low in relation to finished goods prices so as a result we have been experiencing a generally rising trend in prices this year. This trend has caused a revival of inflationary fears which violate the stable dollar objectives of the Administration.

Rising prices and active consumer demand have stimulated the accumulation of inventories. In the third quarter of 1954, inventories were being decumulated at an annual rate of \$4.9 billion. During the current quarter, they are being accumulated at a rate of more than \$5 billion. Our studies indicate that the rate of inventory change has a direct effect upon several elements that make up our economy. The trend, for instance, correlates very closely with the changes in the bill rate and with employment. If the changes in the inventory cycle can be controlled

or moderated, the magnitude of a boom or correction can be limited.

In the past, an inventory swing from high to low has amounted to as much as \$10 billion. This is equivalent to withdrawing from the economy more than 80 per cent of the total value of housing construction or one-third of the present level of capital expenditures. This gives some idea of how important the inventory situation is today and how closely it should be watched. The inventory factor was the primary factor in the 1937-38, the 1948-49, and 1953-54 business recessions. In order to avoid a serious drop later, the rate of inventory accumulation has to be limited.

Out of the problems of rising prices caused by higher labor costs and the urge to accumulate inventories has come the Administration's and Federal Reserve Board's attempts to restrain the boom. The objective is not to kill the boom or throw business into a decline but to try to hold the increase in business activity in line with the normal growth trend. We are beginning to see a slowing down in the rate of expansion in personal consumption, industrial production, and the gross national product. They have not turned down, but the rate of increase is more temperate. This suggests that the policy of restraint is taking effect. Furthermore, with industrial production and the gross national product now back in balance with their long term growth trend, the situation should lend itself more readily to control.

### *Effects of Restraint*

By the closing months of this year, or early next year, the effects of Federal Reserve policy of restraint should be apparent. While one cannot be dogmatic where matters of money management are concerned, in this instance there is a good chance of success. We believe that the boom in inventory accumulation which has not as yet reached the dangerous stage will be curtailed and a sharp corrective decline in business avoided.

This brings us up to 1956. Why will 1956 be a year of normal growth and not one of recession? Why will business go forward next year but at a slower pace than in 1955? Principally because Federal Reserve policy will prevent dangerous excesses

that require drastic correction, while increased population and the rising level of family income will sustain the growth trend. The forces of resurgence present in 1955 will be out, but the normal growth forces will persist. These are the fundamental reasons for our optimism, but there are other factors to be touched upon.

We estimate that for fiscal 1956 the Treasury will report a cash surplus of \$2 to \$3 billion. Assuming no change in taxes, the surplus in fiscal 1957 could amount to \$5 to \$7 billion. Such a prospect forecasts a definite possibility—in fact, probability—of a tax cut next year. One dollar of tax reduction generates much more than a dollar of consumption, so tax relief is a very positive factor.

### *Capital Expenditures Up*

Capital expenditures are in a strong uptrend, with all indications pointing to continuation into 1956. The recent and prospective rise in labor costs demands increased productivity and assures increased expenditures for machinery and all kinds of devices designed to reduce production costs. Secretary Humphrey has based his demand for suspending accelerated amortization upon the expectation of no let-down in economic activity next year. We think that capital expenditures will be \$2 to \$3 billion higher in 1956 than in 1955. We must not forget that capital expenditures are one of the most potent forces in the economy. Like tax reductions, every dollar spent for capital investment by industry produces more than a dollar of consumption.

Another positive factor is that states and local communities are scheduled to spend much larger amounts on public works, roads, and buildings next year than this. Such expenditures will be \$2 to \$3 billion greater in 1956 than in 1955.

The full effect of wage and salary increases will not be realized until next year. Add to this a reduction in taxes, and an increase in disposable income is in prospect. We estimate that the consumer will spend between \$260 and \$265 billion next year as compared with \$250 billion this year.

These are several of the positive factors supporting the expectation of continued growth next year. In addition, there are certain non-

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# How Illinois' New Tax Laws Work

Major changes made in the retailers' occupation tax, use tax, and the municipal retailers' occupation tax

By

**WILLARD ICE**

THE 69th Illinois General Assembly made major changes in the state laws involving the retailers' occupation tax, the use tax, and the municipal retailers' occupation tax during its last session.

In the retailers' occupation tax field, the legislature passed three bills of major concern. Senate Bill No. 796 changed the law with respect to trade-ins. Senate Bill No. 803 broadened the base of the tax somewhat with respect to construction contractors and real estate developers. Senate Bill No. 509 increased the retailers' occupation tax rate and redefined "gross receipts."

## *Wash-out Theory*

Since the 1930's, the revenue department's regulation embodied a liquidation or wash-out theory under which a seller was not taxed on the value of a trade-in when acquiring it, but was required to use its subsequent sale as the yardstick by which to measure the taxable value of the trade-in in the original sale when it was acquired. This resulted in tax being payable when the trade-in was sold, regardless of whether it was a sale for resale or a sale in interstate commerce, or a retail sale in Illinois. In the Ruby Chevrolet case last May, the Illinois Supreme Court invalidated the washout theory so that sales of trade-ins for resale could not be taxed even on a basis of delayed tax payment, but the court held that the value of a trade-in was acquired in a taxable sale and that the Depart-

ment could not, by regulation authorize the seller to postpone paying that tax to some later date. A further inevitable consequence of the court's invalidation of the wash-out or liquidation theory underlying the previous traded-in property regulation appeared to be that once the trade-in was acquired, it would become a part of the seller's inventory like any purchased item. The subsequent sale of the trade-in, therefore, was considered an independent transaction standing on its own merits and therefore taxable if it should be a retail sale in Illinois and not taxable if it should be a sale for resale or a sale and delivery outside Illinois in interstate commerce.

This was the law before the passage of Senate Bill No. 796. However, effective July 14, 1955, Senate Bill No. 796 changed the Retailers' Occupation Tax Act. Now the value of tangible personal property taken in trade is excluded from "gross receipts" and therefore is not taxable. The amendment did not simply revive the department's earlier regulation, however. It did not adopt a wash-out theory by which a subsequent sale of the trade-in for resale would measure any tax liability. If the trade-in is sold at retail in Illinois, the receipts from that sale will be taxable, but there will be no tax with reference to a used item at all if it is acquired in trade and then sold for resale or in interstate commerce. The amendment excludes, from gross receipts, only the value of tangible personal property taken in trade. The exemption does not extend to intangible personal property nor to real estate that may be taken in trade in a taxable sale. For some

reason, the amendment does make the seller taxable on the value of tangible personal property taken in trade if he converts it to use instead of selling it.

Senate Bill No. 803 amended the Retailers' Occupation Tax Act to tax construction contractors and real estate developers to the extent to which they transfer, to users, stoves, refrigerators, washing machines and other items which remain tangible personal property when installed, even though these items are furnished and installed as a required and incidental part of construction contracts or are included in real estate sales. The tax still does not apply to sales of real estate as such, and construction contractors still are not taxable with reference to materials and fixtures which they install and which become real estate when installed.

## *Increase Tax Rate*

The main bill in the retailers' occupation tax field was Senate Bill No. 509 which increased the tax rate to 2½ per cent. The bill changed the definition of "gross receipts" in the act to exclude amounts added to selling prices because of the retailers' occupation tax, the use tax or the municipal retailers' occupation tax. Previously, "gross receipts" had included additions to prices because of the retailers' occupation tax. The payment of tax on these additional charges was avoided in effect by reducing the total receipts to 98 per cent and taxing that figure at 2 per cent. Since the seller would in effect become a tax collector under the Use Tax Act, the tax collected would not be "gross receipts," so the rate needs

(Continued on page 24)

The author is attorney for the Rules and Regulations Division of the Illinois Department of Revenue. This article is based on his recent address in Chicago at a tax meeting sponsored by the Chicago Association of Commerce and Industry.





A four-place, twin jet aircraft; top speed is 400 mph. It costs \$300,000



A four-place Piper Apache; cruising speed of 180 mph. It costs \$35,000

Skymotive, Inc., hangar at O'Hare Field for servicing and storing business aircraft



**A** GOOD many companies are finding these days that they can save money, as well as time, by flying their own planes. This statement may be a little hard to take at first especially when you think about prices — few ships can be bought for less than \$6,000, and most run considerably higher. But ask one expert, an aircraft broker, put it: "Think about cost second. Figure out what a plane will save you first."

Savings for Parker Pen Company, Janesville, Wisconsin, are substantial. Like many firms, Parker headquarters in a community with skimpy commercial service. The nearest field with frequent flights is Chicago's Midway Airport, one hundred miles and four to six and one-half hours away. So company brass fly in one of three planes owned by the pen firm and eliminate this commuting time. They get to New York and back in eight hours; via commercial airline, total travel time is at least 16 hours.

### *Pays For Itself*

Round trip fares for eight Parker executives to New York would cost about \$800; taking them in the company's 15-passenger DC-3 costs approximately \$1,200. Deducting hotel and food bills saved by the reduction in travel time reduces the gap to about \$350. By spending this \$350, Parker makes it possible for eight high-priced executives to spend eight hours more at their desks. At a cost per man-hour of a little over \$5, the firm feels the investment more than pays for itself.

Gaylord Paper Company, with





Business aircraft operations and maintenance terminal at Chicago's O'Hare Field

# Do-It-Yourself Spreads To Flying

headquarters in St. Louis, has a mill at Bogalusa, Louisiana, 70 miles from the nearest airline stop. The firm's six planes visit the mill more than a hundred times a year, and save at least as many hours' travel time for officials.

Comments Chief Pilot L. L. Dorance, Jr.: "These planes have saved the company an inestimable amount of money in the rapid transportation of key executives, the swift locating of fires, and the rapid movement of firefighting equipment." The ships are also used for: aerial photography, for rushing orders to customers or bringing supplies to Gaylord plants when either are needed in a hurry. The fleet is in the air approximately 600 hours a year per plane, and recently flew a record total of 330 hours in one month.

Empire Steel Castings, Inc., Reading, Pennsylvania, provides a graphic illustration of the company plane's value as a freight carrier. Last year, the firm received an emer-

## ***Business aircraft now outfly scheduled airlines***

gency order for 700 pounds of steel castings. Says one official: "We couldn't have delivered on time without our own plane; in fact, without the plane, it's safe to say we wouldn't even have received the order."

### ***Benefits of Company Plane***

These examples show a few benefits of the company plane. Here are some others: with his own ship, the executive can leave when he wants, return when he wants. He's available, in case of an emergency in the field, on a few hours' notice. With no schedule to worry about, it's far easier for several executives to travel together, and because of the privacy and extra room of the company plane, far easier for them to work in transit.

Since World War II, an impres-

sive number of companies have discovered that operating their own planes pays off; in fact, the number has been so impressive that curves showing the hours flown by business planes and the size of the business aircraft fleet during the past ten years resemble the takeoff path of a jet interceptor.

In 1946, business planes racked up one million flying hours; the figure reached 3.6 million hours by 1953, and an estimated 3.9 million in 1954, according to the Civil Aeronautic Authority. During 1954, the nation's airlines flew a total of 3.1 million hours, 800,000 less than the number recorded by business aircraft.

CAA and industry figures show that the number of business aircraft in service has increased from 19,400 in 1952 to an estimated 21,500 in 1954. More significant, perhaps, is

(Continued on page 30)





37,000 vending machines now dispense hot coffee

## Automatic coin machines

*By*

**PHIL HIRSCH**

UNTIL the summer of 1954, the 7,000 employees at Budd Manufacturing Company's Detroit plant purchased lunch in two company cafeterias or from a fleet of food carts. Today, one of the lunchrooms is closed and most of the carts have been retired. Ten batteries of automatic vending machines, serving literally everything from soup to nuts, have replaced them.

Budd's automatic lunchroom, the largest built to date, is one of few in existence. Virtually every plant in

## Vending Machines—New Around-the-Clock



This Pennsylvania Railroad car with vending machines replaced a standard diner car on a New York City to Washington, D. C. run

*Vend Magazine Photos*

the country, though, has at least one of the ubiquitous machines dispensing candy, gum, and other supplementary food items. Vending industry officials are confident this picture will change drastically in the next few years—that, instead of being a secondary food dispensing medium, the vending machine will take over the whole job in a majority of U. S. factories.

The industry also believes that supermarkets will be automatically vending such items as milk, bread, eggs, and that drug and department stores will be selling combs, cosmetics and other sundries in the same manner within the next five to ten years. Automatic vendors expect to place a goodly number of machines in large apartment buildings to fill the last-minute needs of housewives when stores are closed, and an even larger number are likely to appear in front of the stores to conduct the same sort of business.



dispense everything from hot lunches to fresh eggs 24 hours a day

These changes would be hard to believe, perhaps, if it weren't for the fact that most of them have already taken place on a limited scale. True, the age of automatic merchandising is not unclouded by problems, but none are considered insurmountable. And certainly if you look at the meteoric rise of the automatic vending machine industry since World War II, almost nothing seems impossible.

In 1946, automatic vending machines sold \$600 million worth of goods and services. Cigarettes, candy, gum, nuts, and soft drinks accounted for 90 per cent of the volume. By 1953, sales had increased to \$1.5 billion, and last year topped \$1.6 billion. It is expected the figure will reach \$3 billion by 1960.

Today, besides the standbys, a host of new products are attracting an impressive number of customers to automatic vending machines. The

Detroit, a men's furnishings store uses a vending machine to sell belts after hours: you drop a quarter into a coin slot, put your name and address on a phonograph record (started automatically by the coin), and the next day, when the item is delivered, pay the balance.

Vending machines are also selling aspirin, paper bound books, fuel oil, fresh fruit, perfume, razor blades,

and toothbrush kits. They clean, wash, and iron clothes, give massages, take pictures, issue train tickets, and shine shoes.

In Europe, automatic vending of these products and services is far more common than it is here. Streets in Copenhagen, for example, are lined with silent salesmen in front of each store. During and after busi-

(Continued on page 23)

## Salesmen

number of hot coffee machines grew from 16,000 in 1952 to 37,000 last year. The number of ice cream vendors rose 50 per cent in the same period, reaching a total of 24,400; in 1954, each of these machines sold an average of 167 units per week. There are in excess of 20,000 milk vending machines in use today, virtually all of them built since the end of the war.

A New York City milk company has installed machines to vend its product in 70 large apartment buildings. Sales average one quart per day per family (a total of 15,000 to 20,000 quarts). In Oak Park, a clever entrepreneur named Paul Learn has set up outdoor milk venders at gasoline stations, a drive-in restaurant, and a drug store parking lot. Meanwhile, in St. Louis, Missouri, and Madison, Wisconsin, automatic vending machines are successfully selling coal. In Los Gatos, California, another one is selling eggs. And in



Outdoors (above, selling eggs) or indoors (below, serving food to employees in Budd Company plant), vending machines are on duty around the clock





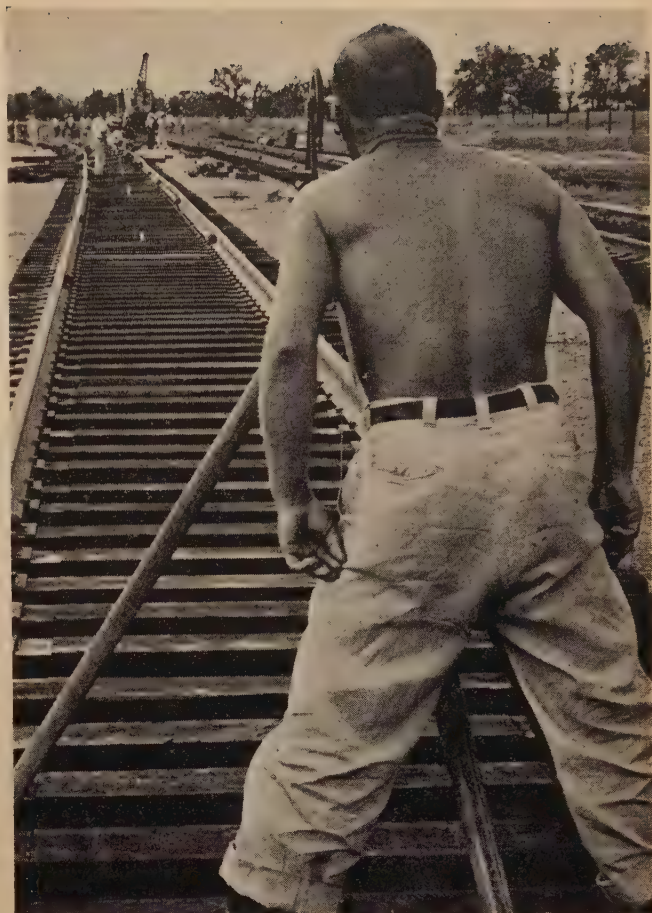
## *Business Highlights*

The "Teracruz," 12 feet wide, 25 feet long and 10 feet high, glides over any type of terrain on eight giant air pillows. The watermelon-like tire bags are 3½ feet in diameter, 5 feet long and carry three to five pounds of air pressure per square inch. A central inflation system permits the driver to increase or reduce air pressure in the individual bags en route. Built by the Four Wheel Drive Auto Company, Clintonville, Wisconsin, for the Army Transportation Corps, the vehicle costs approximately \$250,000. It can attain a speed of 25 miles an hour.



Northern and Southern Michigan will be literally "wired" together when the Mackinac Bridge is completed. The structure linking the two will require 46,000 miles of wire products. Two 8,362 foot long main cables, 2 feet in diameter, and 368 vertical hanging suspender ropes will support the tremendous weight and stresses of the roadway span. Left, test engineers of American Steel and Wire Division of the United States Steel Corporation, makers of the wire for the bridge, examine a length of Mackinac Bridge suspender cable that has just been "break" tested. Bridge specifications call for this 2¼ inch wire rope to have a catalog strength of 235 tons. The break tester adds over 100 additional tons to see how the rope will take it. At 350 tons it broke but two of the six strands still remained intact. Right, this is the "business" end of the machinery which applies and holds a tension of 235,000 pounds to a wire rope until it is compacted and structural elasticity has been removed. Inset is a closeup of a rope under tension having the "stretch" removed.





The largest railroad building job into a major city in Texas in the past 20 years is scheduled for completion in December. It's the new main line of the Santa Fe Railway running into Dallas from Dalton junction via Denton, Texas. About 50 miles of trackage will be laid. Left, a burro crane lowering a rail into place; and right, setting the center line of the track with transit. In all the new line will contain 110 bridges. The longest, bridging two highways and another railroad line, is nearly 600 feet long. Seven other of the larger bridges range in length from 138 feet to 442 feet. The line also contains a 546 foot-long timber trestle fronting the Spillway of the Garza-Little Elm Dam. This trestle is 25 feet high and consists of 39 panels, each 14 feet long



The Trackmobile, made by Whiting Corporation, Harvey, Illinois, operates on both road and rail tracks. On the rails it does the work of a switch engine, moving as many as six fully loaded freight cars at one time. When traveling from job to job, rubber-tired wheels are lowered and the machine can be driven around the yard, across unimproved track or on the road as easily as a light truck. The road wheels retract and it travels sideways on rail wheels when moving freight cars



The new \$4,500,000 Burlington Railroad freight terminal in Cicero, Illinois. Two miles of railroad track are inside the terminal, enough to hold 240 railroad cars at one time. Docks along the two sides of the terminal can handle 275 semi-trailers at once. In an average eight-hour shift, about 1,500 tons of freight are moved via this Trukveyor system which consists of two Link-Belt Company, in-the-floor, endless-chain conveyors which have a total length of 5,560 feet. It can tow 350 loaded trucks at one time



# Public Relations Can Be Overbought Too

Activities creating good will for one firm may not work for your company

BY PHILIP LESLIE

THE decade 1945-1955 may go into business history as the period when the importance of public relations burst into the recognition of management. Ten years ago, while a good number of companies were actively pursuing public relations functions, there were still many companies where it was overlooked entirely, or where some limited phase was being carried out hesitantly. Few firms were budgeting enough to meet the requirements, and many were spending nothing or taking a few dollars out of miscellaneous funds.

## Rapid Acceptance

This rapid acceptance of the need for understanding the attitudes of the people affecting a business, and of assuring the good will of these people — the basic functions of public relations — stems from several vital factors. They include: the "explosion" of our economy that has brought to almost every individual more security, more awareness of his potentialities for a good life, and therefore more aggressiveness in asserting himself; the high level of employment that has made it necessary for business to cultivate employes and prospective employes; the growth of the "welfare" concept nurtured by government; the growing realization that a business is an integral part of the social structure, and must be accepted by the public as a wholesome force; and, most prominently, the arrival of all-out competition for the patronage of

customers, distributors, dealers and other businesses.

American business has arrived at the full-blown recognition of one of the most important facts of the twentieth century: The most vital element of every business is people, and assuring the favor and support of all the people affecting a business is one of the vital requirements of any business' success.

This recognition has not come without a few hitches, however. The very suddenness of it has created some problems, probably chief of which is the lag in development of fully rounded and qualified personnel to afford the thinking and services required.

Now there is appearing another problem resulting from the rapid embracing of the public relations concept. Discrimination and judgment need to be refined lest the errors resulting from over-buying of public relations services cause a negative reaction to set in — a reaction that will be harmful to business that needs *sound* public relations as much as to the public relations business.

When buying products or services that are long-established, business knows how to make certain it gets just what it needs, and does not buy more expensively than necessary. In public relations, where the elaborate service is bought to meet a need that can be filled more simply, or where the methods are not correctly selected, overbuying is costly. Such mistakes come most often as a result of lack of experience with a wide range of public relations functions, but they have been made also

by public relations specialists. Here are some examples:

One company that had for years issued very spartan annual reports felt the need for more cultivation of its stockholders. It was decided to dress up the annual report, and they went all the way: a four-color cover and middle section, elaborate three-color charts, a gatefold that contained a wide picture of the main plant, and plenty of other pictures. It was a beautiful report. However, it cost more than half as much per stockholder as the stockholder got in dividends that year and resulted in a large number of protests from stockholders.

## Wasted Efforts

A diversifying company bought the rights to a new electrical appliance. A big and lavish publicity campaign was launched for the product as soon as it started coming off the production lines. But it developed that this type of product required distributors who have adequate servicing programs, and that until the enthusiasm of such distributors had been kindled, consumers who developed an interest in the product would find few stores carrying it. Because of failure to investigate timing, the publicity effort was mostly wasted.

The president of a large company was made the subject of an all-out publicity campaign directed by a publicity firm. It was felt that by making the president a nationally prominent figure, prestige would accrue to the company. The build-up

The author is president, The Philip Leslie Company, Chicago and New York.

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## Vending Machines — Around Clock Salesmen

(Continued from page 19)

less hours, the machines dispense confectionery, canned meat, roll film, electric fuses, and a wide variety of additional products.

Just about every industry, of course, has unusual case histories which can be trotted out to indicate just about anything. But in the case of the automatic vending machine industry, the contention that the age of automatic merchandising is almost upon us has a copious amount of hardheaded reasoning to back it up. The argument runs something like this:

In many types of retail outlets, but especially in drug, food, and department stores, there are a large number of low-profit items that have to be carried as a convenience to the customer. Typical examples are cigarettes and combs. Not only is the profit low to begin with, but loss — either through out-and-out theft or through damage — is a serious problem. Obviously, by eliminating the cashier's time in ringing up the sale, by freeing salespeople in some cases

from the need to demonstrate the item, and by reducing the possibility of damage and loss, the profit margin can be increased. Automatic vendors say their machines can overcome all three problems.

The typical supermart is often a busy place, with long lines of shoppers piled up behind the checkout counters. To a lesser, but still large extent, the same basic problem arises in drug, department, and other types of retail stores. Also, all of these stores lose potential sales after closing hours. In some cases — the bread and milk business of the grocery supers is a good example — this loss of volume is sizable.

### Food Supermart

Here is how automatic vending machines might solve both problems say, in a food supermart:

The store would have a space devoted exclusively to vending machines selling bread, milk, eggs, and similar "single-purchase" items. Dur-

ing business hours, it would be possible for the shopper to buy these items without having to buck the store's regular crowds. And after hours, the door to the supermart would be left open, permitting entry to the machines. The rest of the store would be partitioned off from this area and locked up.

Before automatic merchandising wins a strong foothold in retailing, though, it is likely to make substantial inroads in industry. Here, the problem is more serious, for few plant lunchrooms pay their own way. In some cases, the company must ante up \$100,000 a year or more to cover the deficit.

Virtually all vending machines installed in factories and offices are serviced by outside operators. According to G. R. Schreiber, editor of Vend Magazine, the industry's bible, you can count the number of firms which have bought and operated vending machines for their own use on the fingers of one hand. "Too few have been successful," he explains, "to encourage others to make the attempt." The reason becomes

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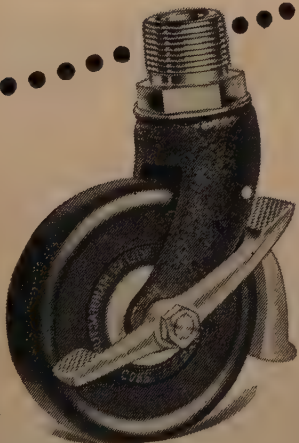


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clear when you look at the economics of automatic vending.

Essentially it's a nickel and dime business that must sell a tremendous number of units to overcome the sizeable capital investment required. The machines needed by a typical plant employing 1,000 workers, for example, cost around \$15,000. This figure is just the purchase price, and does not include the bill for inventory, spoilage, cost of keeping the machines filled and operating, to mention a few of many overhead items.

"Few companies are willing to put up this kind of money," Schreiber explained. "The size of the investment is one thing that stops them. Another, even more important perhaps, is that you can lose your shirt quite easily without a detailed knowledge of how to keep the overhead costs down. In this business, profit per unit is often measured in mills. The automatic merchandiser, because he starts out with a larger market — several companies instead of one — is in a far better position to make a success of the operation than each of these companies on their own."

For providing vending machine space, the company receives a commission from the concessionaire. Normally, the operator pays a percentage of the installation's monthly sales. And usually, if and when

sales top a certain point, the percentage increases.

So far, not one industrial vending machine installation has had to be subsidized, and most have produced a profit for the company and, or its employees, say automatic merchandising industry officials. They believe this is a rather clear indication that the outside operator-commission arrangement pays off for all concerned.

Cadillac Motors, after installing vending machines a few years ago to supplement cafeteria service in its Detroit plant, was soon clearing enough from the former to reduce menu prices in the latter by ten per cent. Consolidated Vultee Aircraft Corp. spends its vending machine commissions—about \$100,000 a year — on an extensive employee recreation program.

Automatic vending is not the perfect answer to either the retailer's merchandising, or the plant's feeding problem. The high cost of the machine still limits the number of items that can be dispensed, and vendors must acclimate the public to buying from machines many items they now purchase at a sales counter. But both problems are receiving considerable attention. As one vendor put it: "Give us a few more years and you'll be amazed at the things you'll be buying from vending machines."

## How Illinois' New Tax Law Works

(Continued from page 15)

to be 2½ per cent of what would be left as "gross receipts" and not 2½ per cent of only a part of that amount. To lay doubts to rest, the legislature in the definition of "gross receipts" spelled out that use tax collections would not be regarded as "gross receipts" and extended the same immunity to additional charges because of the retailers' occupation tax since it would apply without the use tax during July, 1955, and again later on if the use tax should happen not to be valid. Because of the municipal retailers' occupation tax, additional charges were also excluded from "gross receipts" to make a uniform definition of "gross receipts" and "selling price" for all three Acts — the Retailers' Occupation Tax Act, the Use Tax Act and the Municipal Retailers' Occupation Tax Act.

The exclusion of additions because of the tax from the tax base presents some problem to those who ring the tax up as a part of the total sale instead of keeping a separate detailed record of the exact amount of tax collected from purchasers. The department has included a formula to meet this difficulty in the amended act.

The formula assumes that if the seller collects the price plus tax, which is 2½ per cent of the price, the total collected on taxable sales is 102½ per cent of the price. Divide this by 102½, and multiply by 100, and you have the price, the "gross receipts" which are taxable at the 2½ per cent rate. The formula has to be applied before you start to fill out the return form because the additions for tax are to be excluded from "gross receipts" before anything





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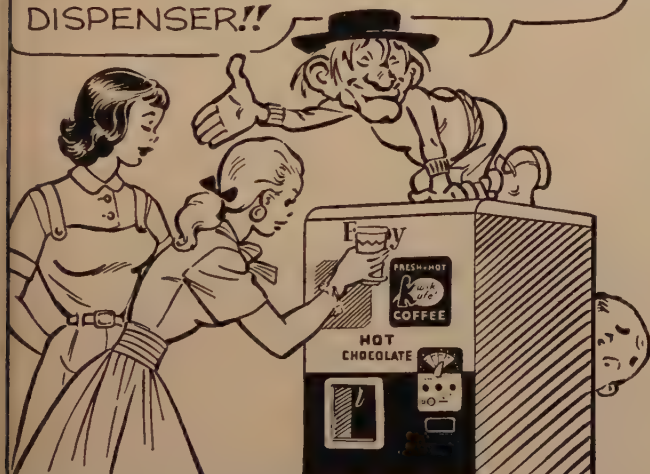
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is entered on the form. A corresponding formula of dividing total receipts from taxable sales by 103 and multiplying by 100 to obtain "gross receipts" is provided for in the regulation where the seller is also passing on a  $\frac{1}{2}$  per cent municipal retailers' occupation tax.

In the municipal retailers' occupation tax field, the legislature amended the law to remove the requirement of a referendum. Over 350 municipalities have already enacted ordinances imposing the municipal retailers' occupation tax at the maximum rate authorized,  $\frac{1}{2}$  of 1 per cent. The revenue department is to collect these taxes and see that they are distributed to the appropriate municipalities. To assist this allocation, the taxpayer is asked to show on his regular retailers' occupation tax return what city tax or taxes he owes and how much he owes in each instance. The department will have to audit for these taxes and assess and collect them when not paid and process claims for overpayments and do everything with respect to each city's tax that is done with the state tax, and segregation of the city taxes from the state tax at every step of the way is essential. The state retailers' occupation tax registration of a retailer will cover his registration for municipal tax purposes, so additional registration will not be necessary. The same kinds of transactions that are taxable or exempt for state tax purposes are similarly taxable or exempt for

municipal tax purposes. The main differences will come in the area of jurisdiction. In that connection, the state tax concerns the doing of a retail business in the state. The municipal tax is for the privilege of doing retail business within a municipality which of course is a different geographic area from the state. Since the municipal tax is an occupation tax on the seller and not a use tax or sales tax on the buyer, such considerations as the place of the buyer's residence, the point where the property will be used, the place where title passes and the place where delivery occurs (if interstate commerce does not become involved) are all immaterial. The question with reference to a sale is, where is the seller doing business? Is he or is he not doing such business within the taxing municipality?

In general, the cases sustain the position that the place of business at or from which the seller does the selling by making sales or sales contracts is the place at which the seller is doing business for municipal retailers' occupation tax purposes. This will generally be a fixed location such as an office or store, but there can also be a mobile place of business where the seller takes an uncommitted stock of goods with him in a truck and actually sells and delivers off the truck on a route, as distinguished from merely making deliveries to fill previously accepted orders. A vending machine is another kind of place of business which can





ist as well be elsewhere than at the seller's office or store.

Finally, the legislature adopted the new Use Tax Act. The use tax is levied on the purchaser. In some cases, it must be collected from the purchaser by the seller. In other instances, the purchaser must pay the tax directly to the department. The use tax is aimed primarily at out-of-state purchases where the property will be used in Illinois, but where the seller cannot be taxed under an occupation tax law because of interstate commerce. However, it has also been necessary to impose the tax on sellers who make purchases in Illinois in order to satisfy the Illinois constitutional requirement of uniformity by placing the legal burden of the tax on all users who buy at retail.

This was the setup that resulted in the Cigarette Use Tax Act being held invalid a few years ago. When the Motor Vehicle Use Tax Act deviated from this pattern two years ago and taxed only users buying outside Illinois, the Supreme Court held that act unconstitutional as violative of the uniformity requirement. The result of taxing local purchases at retail as well as similar out-of-state purchases superimposes the use tax

right on top of the retailers' occupation tax. To prevent tax pyramiding by having both the retailers' occupation tax and the use tax collected by the state on Illinois sales, the Use Tax Act contains an offsetting provision like that in the Cigarette Use Tax Act. The retailer must collect the use tax, but then keeps it to the extent that he is liable for retailers' occupation tax on the same transaction. The retailer still pays the retailers' occupation tax to the state; but instead of passing on that tax to the purchaser, the retailer now reimburses himself for the retailers' occupation tax by collecting and retaining the use tax.

### *Out-of-State Retailers*

There will be many out-of-state retailers who must collect the use tax in situations in which the seller is not liable for retailers' occupation tax because of interstate commerce. In that case, the retailer must remit the use tax to the state. This will happen, for example, where the seller has nothing here but soliciting agents. Such seller must collect a use tax according to the United States Supreme Court, but would not be

liable for retailers' occupation tax. Similarly, a seller with a taxable retail outlet in Illinois is not liable for retailers' occupation tax on independent sales which are strictly interstate mail transactions. However, such seller is required to collect the use tax on the interstate mail transactions. Even out-of-state sellers who have no office or other facilities, no goods and no agent here can voluntarily obtain a permit to collect the use tax, although such a seller cannot legally be compelled to collect the tax. Whenever possible, the procedure is to have the seller collect the use tax from the purchaser; but if the purchaser makes an out-of-state purchase from a seller who is neither required nor authorized to collect the use tax, the purchaser is required to pay the use tax directly to the department. Such remittance should generally cover all reportable transactions for a calendar month and should be accompanied by a return from the purchaser. In the case of motor vehicles, the purchaser cannot get an Illinois title from the Secretary of State unless he can show that he has paid the use tax or that he is not liable for the tax.

On the point that the retailer must



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collect the use tax from the purchaser, the question often arises as to whether or not the seller must necessarily make such collection as a specifically described separate item on the invoice. The Use Tax Act does not specify such a requirement. It prohibits the seller from affirmatively representing that he will absorb and not collect the tax, but the assumption will be that he is not violating the law, so we expect to assume in general that the seller is collecting the use tax if he does nothing to negative that assumption. Consequently, it will not be illegal to collect the tax by including it in the price of the goods instead of stating it as a separate item on the invoice. Of course, the purchaser can insist on a receipt itemizing the tax, but this will usually not be necessary where both the retailers' occupation tax and the use tax apply to the same sale because it will be assumed that the seller is reimbursing himself for the retailers' occupation tax by collecting the use tax in such cases if the seller does nothing to compel a different conclusion.

With a very few exceptions, such as sales to the federal government,

the use tax covers everything to which the retailers' occupation tax applies, plus out-of-state purchases to which the retailers' occupation tax does not apply. This leads some to suggest that the retailers' occupation tax might be repealed if the use tax is constitutional. That could happen, but probably will not unless the lucrative source of revenue, which the field of sales to the federal government provides, were to be abandoned.

The Use Tax Act was not intended as a "broadening bill" in the sense of reaching out to tax local sales that have been exempt from the Retailers' Occupation Tax Act because of being isolated or occasional, or because of being incidental to service. In fact, the Use Tax Act states that if the seller would not incur retailers' occupation tax liability despite all elements of the sale having occurred in Illinois, then the use tax will not apply. Consequently, sales that are incidental to a repair service or to a printing service or to some other service occupation will still not be taxable either under the Retailers' Occupation Tax Act or the Use Tax Act.

The exclusion from the use tax of things that are not subject to the retailers' occupation tax does not exempt purchases outside Illinois for use here (as some seem to think) because the exclusion or exemption is conditioned on the transaction being such that if it is not subject to the retailers' occupation tax, that would be true even if the sale occurred in Illinois. The exemption does not exclude out-of-state purchases from the use tax because all elements of the sale will not have occurred in Illinois if the sale is exempt from the retailers' occupation tax because of interstate commerce, and the sale will not be exempt from the retailers' occupation tax on account of interstate commerce anyway if all elements of the sale had occurred in Illinois.

### Service Occupation

So the use tax does not apply to retail sales that are incidental to the seller's engaging in a service occupation, nor to isolated or occasional sales by a seller who is not a retailer of the item involved. The use tax also does not apply to purchases in the State of Illinois or its political subdivisions nor to purchases by exclusively charitable, religious or educational organizations and institutions. The use tax does not apply to the use of a thing which the user produced himself since the tax is on the using of tangible personal property which is purchased at retail from a retailer. However, the producer-user is taxable on his purchase of the things out of which he then after produced the finished product to which the tax does not apply. Other exemptions from the use tax include the use, in Illinois, of tangible personal property by a non-resident individual who acquires the property outside Illinois and uses it here while passing through or temporarily visiting in the state; the use in this state, of tangible personal property which is acquired outside this state and used as rolling stock moving in interstate commerce, and the use in this state of tangible personal property acquired outside the state, stored here temporarily and then used exclusively outside the state. A credit is given against the Illinois use tax for sales or use in another state with respect to the purchase of the same property. The use tax

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course does not apply to purchases which are not for use, but which are for resale in some form as tangible personal property. A retailer, such as an automobile dealer, may temporarily use an item which he has

purchased for resale before actually selling it without incurring use tax liability.

Such are the major implications of the new tax legislation as it now stands.

## Do-It-Yourself Spreads To Flying

*(continued from page 27)*

that the number of multi-engined aircraft has increased nearly 50 per cent, from 1,650 to 2,437 (single-engined registrations went up a little less than eight per cent, from 17,750 to 19,063, during the same period).

The trend to bigger ships, plus the increase in flying hours per plane (115 in 1952, about 500 in 1954), and the rapidly growing number of business aircraft equipped to fly in all kinds of weather indicate two important facts, say plane manufacturers: a) more companies are acquiring their own planes; b) each of these planes is becoming more useful and as a result, economical.

There are so many variables involved in business flying that it's impossible to say how much any com-

pany will save by operating its own plane without knowing a great deal about its operations. The biggest costs — purchase price of the airplane, and annual operating expense — are more-or-less constant, though. Here is the picture, briefly:

Broadly speaking, there are three sizes of planes to choose from. The biggest ships used by business carry 10 to 20 passengers. They include the Convair 340 (\$760,000), the DC-3 (about \$200,000), the Learstar (\$360,000). DC-3's are no longer manufactured; a few are available on the second-hand market, though. All of these ships have a cruising speed of at least 200 mph.

The next major group includes planes able to carry four to ten passengers; all are twin-engine models.

Examples include the Aero Commander (\$69,500), Beech Super (\$98,975), Cessna 310 (\$50,000), Aer Apache (\$35,075), and Riley T (\$29,500). These ships will cruise from 180 to around 235 miles per hour.

A number of single-engine planes carrying up to four passengers are available. Prices start in the \$6-7 range and go up to about \$20. Typical examples: Beech Bon (\$18,990); Cessna 180 (\$12,9); Piper Tri-Pacer (\$6,825). Cruising speeds are generally from 100 mph.

Usually it's necessary to fly anywhere from a couple of hours to a couple of thousand dollars above the list prices of these ships make them flyable in all types of weather. Cost goes up further for deluxe interiors.

The new-plane market includes a variety of amphibious ships, priced at \$50,000-\$100,000, for the executive who wants to mix fishing with hunting with business.

Several planes recently developed for business use, although outside the budgets of most companies, indicate that startling improvement

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just over the horizon. One is the executive Viscount, manufactured by Vickers-Armstrong, the English plane builders. The first turbo-prop plane built for commercial service, it provides far more power per pound of engine than conventional piston pumpers. Vickers says the plane will cruise at 320 mph, well below the speed of any other business aircraft. But with a price tag of around a million dollars, the market is rather limited. U. S. Steel Corporation, Standard Oil Company, California and Hughes Tool Company are among purchasers to date.

Beech is currently flight-testing a four-place turbojet ship known as the MS-760, developed in France. Reports are that it will have a 1,000-mile range, cruise at between 300 and 400 miles an hour, and sell for around \$300,000. Meanwhile, Cessna has come out with a four-place, all-fiberglass model priced at from \$6,000 to \$10,000.

### Purchase Job

Many firms unfamiliar with the intricacies of flying put the purchase job in the lap of a specialist. These consultants determine what size plane the company needs by checking the number and distance of executive business trips, the size of airports at the spots visited regularly, the passenger load, and sales volume, among other items. Then, after the ship is selected, they help hire the pilot, set up a maintenance program, and perform a host of other chores necessary to get flights started.

Instead of buying a plane, some firms rent them. Among suppliers is National Airlines, Inc., which will lease a company's executives around in a deluxe, 10-passenger Learstar for a price that covers all operating and maintenance costs. Another firm, American Leasing Corporation, a familiar name in the truck rental field, recently began offering single- and twin-engine Beechcrafts on a similar basis.

A rather detailed report on the economics of business flying was prepared recently by an executive of a large printing ink firm. This official, who bought his first plane about five years ago, admits that previously, "I had never been particularly interested in flying and felt the private air-

(Continued on page 46)



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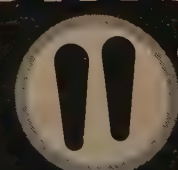
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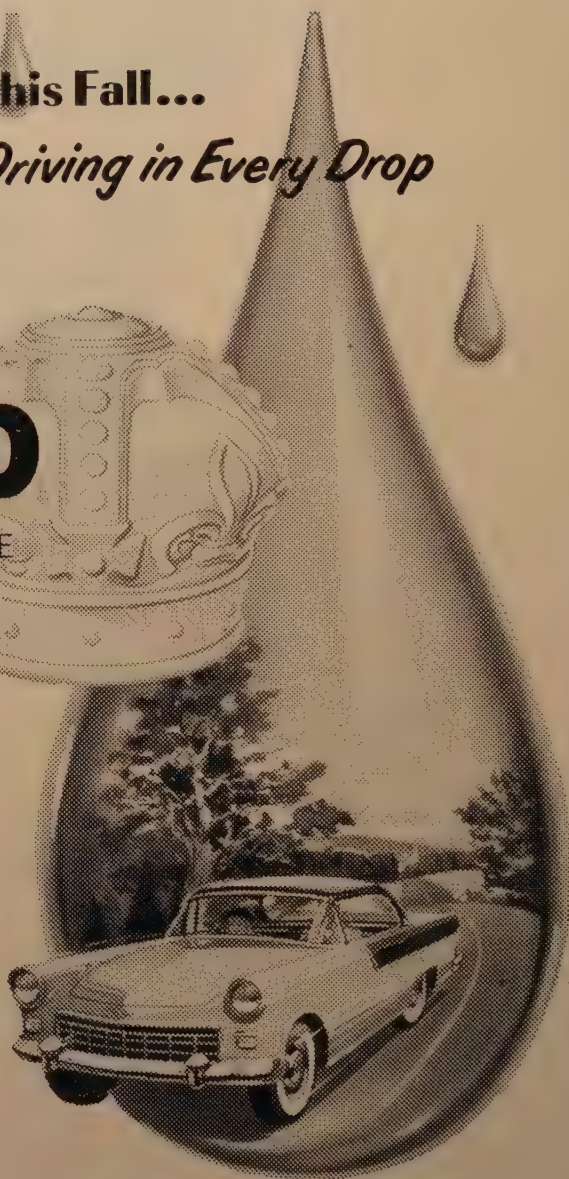
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# Industrial Developments

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INVESTMENTS in industrial plants in the Chicago area totaled \$223,000 in October compared with \$18,209,000 in October, 1954. Total investments for the first ten months of 1955 were \$283,203,000 compared with \$201,290,000 in 1954. These figures include expenditures for the construction of new industrial plants, expansions of existing buildings and the acquisition of land for buildings for industrial purposes.

**Republic Steel Corporation** will enlarge the capacity of its South Chicago mill from a present rated capacity of 1,232,000 tons to approximately 1,544,000 tons, an increase of 312,000 tons of ingots, equivalent to 25 per cent of present capacity. This increase is part of a countrywide expansion program which will involve not only the South Chicago works but also expansions at Cleveland, Warren, and Youngstown, Ohio and Gadsden, Alabama.

**Ekco-Alcoa Container, Inc.**, a new company formed jointly by Ekco and Alcoa, will build a large aluminum foil plant of 190,000 square feet of floor area on a 24 acre tract of land west of Wheeling. The new facility will be the nation's largest aluminum foil container unit. One of the parent companies operates other plants in the Chicago Area.

**Durethane Corporation**, 1859 S. Cicero, is erecting a plant of 65,000 square feet of floor area to be located at 7001 W. 60th street. The company manufactures polyethylene film used for packaging. The new plant will approximately double the firm's facilities in this area. Olsen and Urbain, architect.

**Wilson Sporting Goods Company**, 2037 N. Campbell avenue, will erect a factory building on a 27½

acre site in River Grove. The new factory will house all of Wilson's facilities and will contain 360,000 square feet of floor area. It will replace 6 multi-story buildings now operated by the company in the Chicago Area. The new structure will be used for both manufacturing and distribution purposes. Ragnar-Benson, Inc., architect.

• **Scripture Press**, 434 S. Wabash avenue, is working on a large industrial structure on College avenue in Wheaton, to which the company will move its administrative, editorial and production facilities. The structure will contain 86,000 square feet of floor area. The company publishes Sunday school literature. Friedman, Alschuler and Sincere, architect; general contractor, Algot B. Larson, Inc.

• **Workman Manufacturing Company**, 1200 W. Monroe street, is erecting a new 70,000 square foot plant in Harwood Heights on Wilson avenue near Harlem avenue. The firm manufactures an extensive line of business forms, and the new plant will approximately double its present floor area.

• **Sinko Manufacturing and Tool Company**, 3135 W. Grand avenue, is erecting a plant in Harwood Heights, which will contain 60,000 square feet of floor area, and to which the company will move its operations when completed. The plant will give the company increased manufacturing space and better utilization of recently acquired equipment. The company produces injection molded products. A. E. Strobel, architect.

• **M. M. Young and Company**, 8233 S. Princeton avenue, is having a plant erected on 47th street and S. Kilbourn avenue which will con-

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tain 50,000 square feet of floor area. The new plant will be utilized for the Lithostrip Division of the company for the production of continuous coated and lithographed steel and aluminum strip. It will also contain production facilities for a metal-vinyl laminate. J. J. Harrington and Company, broker; J. Emil Anderson and Son, general contractor.

• **Carbit Paint Company**, 2942 W. North avenue, has acquired a large water front property on the Chicago River, between Eastman avenue and Blackhawk street. Improved by several multi-story buildings, with a total of approximately 80,000 square feet of floor area, the property also has a 400 foot all steel dock and oil storage tanks. Carbit will use the plant as a branch for all its Chicago Area production facilities, but will retain its present plant for storage and office purposes. Nicolson, Porter, and List and Jones and Kerfoot, brokers.

• **Ralston Steel Corporation**, Central Park avenue at Touhy avenue, Skokie, is starting work on a 40,000

square foot addition to its plant in Skokie, which will provide facilities for shearing, slitting, de-coiling, and pickling of steel.

• **Bird and Son, Inc.**, 1472 W. 76th street, is expanding its plant with the addition of 44,000 square feet of floor area. This company, with headquarters in East Walpole, Mass., is a well known producer of asphalt and roofing products. The company was organized in 1795 and has been in business in the Chicago area since 1913. W. Fred Dolke, architect; R. L. Brockob, general contractor.

• **Kawneer Company** of Niles, Mich., operating a plant of one of its subsidiaries in Joliet, is erecting a 23,000 square foot building on 29 acres of land in West Chicago which will house another subsidiary, The Mill Products Division. The company manufactures structural aluminum products.

• **Diamond Steel Company**, 2849 N. Natoma avenue, has acquired a building of 50,000 square feet of floor area at 5429 W. Roosevelt road

in Cicero, to which it will move Flat Rolled Products Division. present the plant on Natoma avenue will be retained for its Aluminum Division. Forester Realty Company and J. J. Harrington and Company brokers.

• **O. C. Keckley Company**, manufacturer of pressure and temperature regulating, steam and electric control valves, will soon occupy its new plant at 3400 Cleveland street, Skokie. The firm has had headquarters in Chicago for 42 years, manufacturing activities are carried on in Springfield, Illinois. The Skokie plant represents the firm's manufacturing facility for the company in this area. It was constructed by J. Emil Anderson and Son, Inc. and contains 33,000 square feet of floor area. J. J. Harrington and Company, broker.

• **Pacific Car and Foundry Company**, Franklin Park, is erecting a factory building in the 4900 block South Kilbourn avenue in Chicago. The new structure will contain 25,000 square feet of floor area and will be utilized for factory purposes. Arthur M. Heda, architect; J. Emil Anderson and son, general contractor.

• **Colonial Carbon Company**, Church street, in Skokie, manufacturer of spirit duplicating carbon papers, is erecting a plant of 21,000 square feet of floor area on North St. Louis avenue, Skokie. All of the company's facilities will be moved to the new location when the plant is completed. J. J. Harrington and Company, broker; J. Emil Anderson and Son, general contractor.

• **Marvel Metal Products Company**, 3843 W. 43rd street, is expanding its facilities with the addition of 24,000 square feet of floor area. The new structure will be utilized for production purposes for the company's line of metal kitchen cabinets. Epstein and Son, Inc., engineer; Heidel and Beck Inc., general contractor.

• **Miller's Prepared Potato Company**, Inc., 140th and Western avenue, Posen, is erecting an additional plant which will contain approximately 10,000 square feet of floor area. The additional floor area will be used for both manufacturing

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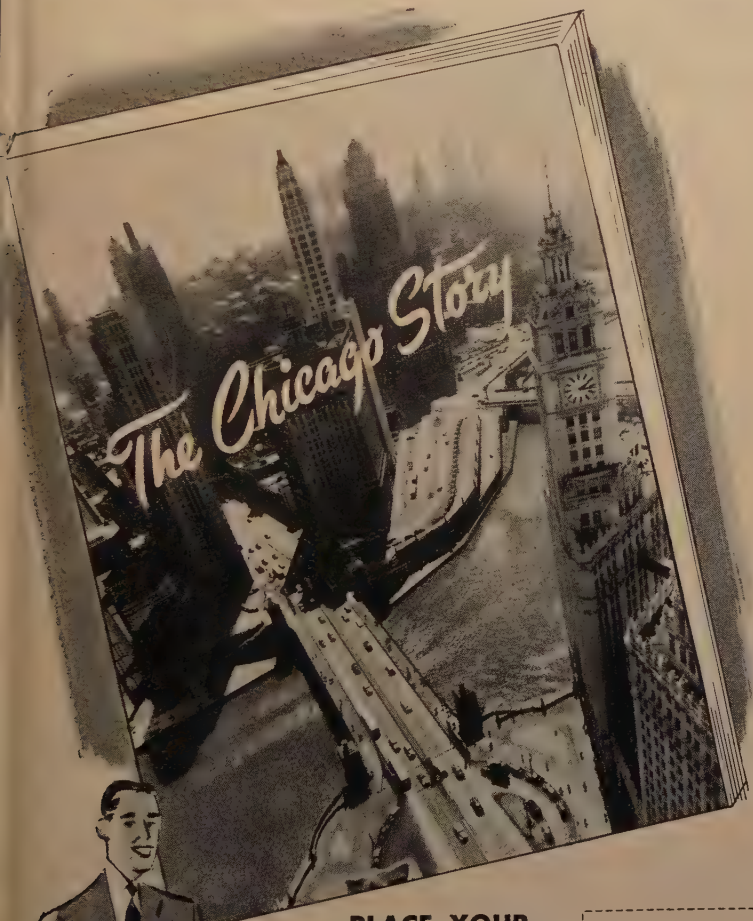
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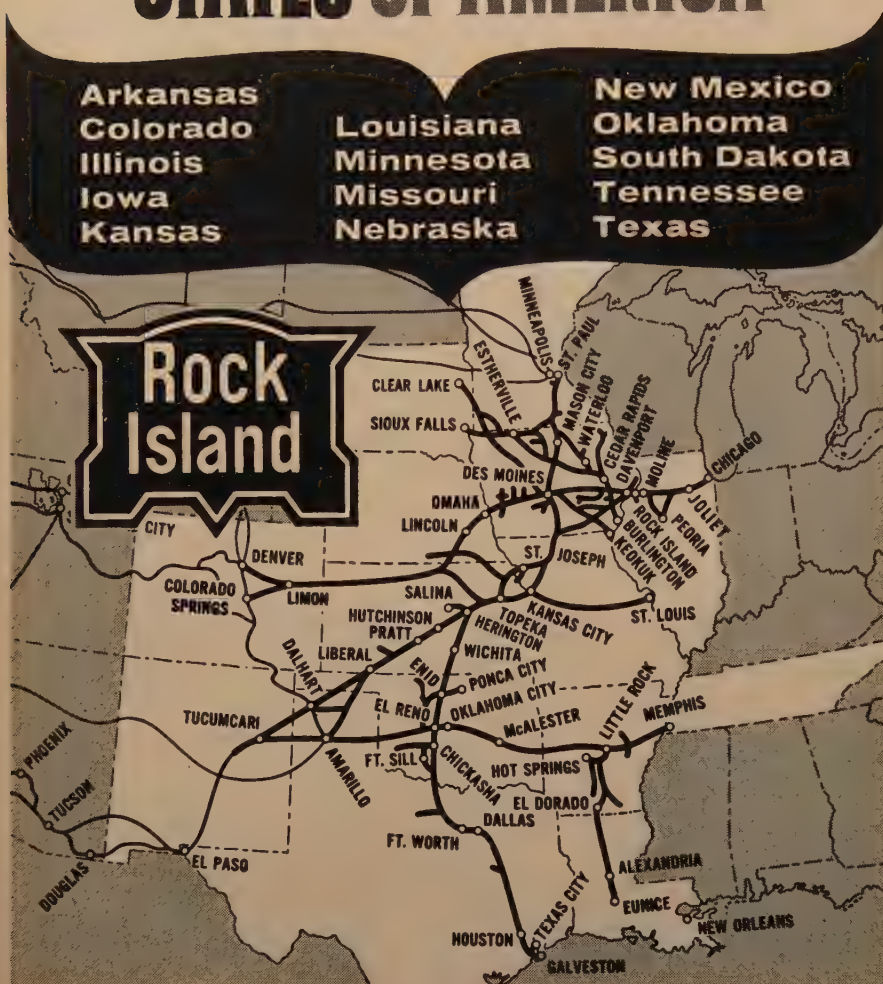
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storage purposes. Pyle Brothers Builders, general contractor.

• **Yale and Towne Manufacturing Company** has acquired a one story building in Addison Industrial District, in the village of Addison, the Powdered Metal Products Division of the company. The 12,000 square foot building will be utilized in addition to the present facility at Franklin Park. Sturm-Bickel and Long-Kogen, Inc., brokers.

• **Blue Island Forgings, Inc.** is erecting a plant on a four acre tract in Blue Island, on Sacramento Avenue and 136th street. This newly organized firm will manufacture parts for farm implements and other machinery manufacturers. The unit of 5,000 square feet of floor area will be completed in January, present plans are for an additional 10,000 square feet to be completed within the next year.

• **CIBA Company of Switzerland** with a subsidiary in Chicago, Ciba Company, Inc., located at 325 Huron street, manufacturer of dyes and stuffs, is erecting a 13,000 square foot building in Skokie. Bennett Kahnwelter, broker; Joseph C. Inc., general contractor; R. Stuetzel, architect.

• **Frederick A. Stresen-Reitz Inc.** is erecting a laboratory, warehouse and office building adjacent to the company's plant in Bensenville. The expansion of the Bensenville plant will allow the company to move its main offices from 1111 Medill avenue to the Bensenville location. The new portion of the plant will contain 25,000 square feet of floor area. Starr Construction Company, general contractor; Edward A. Nitsche, architect.

• **Electronics Development Laboratory, Inc.**, 4851 W. Division street, is erecting a one story, 18,000 square foot building in Normandy Industrial Park. Louis B. Bearce, broker; Derks and McCracken, architect; C. R. Jernberg and Associates, general contractor.

• **Standard Industrial Components Company**, 4600 W. Ferdinand street, is erecting a plant containing 19,000 square feet of floor area in Fort Worth in Will County. The plant manufactures wire drawing equipment and industrial cleaners.



# Transportation and Traffic



HEARINGS on the report of the Presidential Advisory Committee on Transport Policy and Organization began September 19 in Washington, D. C. before a subcommittee of the House Interstate and Foreign Commerce Committee. First to testify at the hearing was Secretary of Commerce Sinclair Weeks, chairman of the advisory committee, who said: "Let me emphasize right at the start that this report is not aimed at giving one form of transportation an unfair advantage over any other. Instead it paves the way for all modes of transportation to give more effective service to the public. In a nutshell it is aimed at providing greater national security and better and less expensive transportation for the American people." In discussing our present national transportation policy and rule of rate making, Secretary Weeks declared: "The prohibition in the existing policy against destructive competition, for example, can and has been taken to mean that competition which is fair but injurious to a competing form of transportation is against the policy of the law. The wording of the present policy when coupled with the general rule of rate making found in Section 15a of the act has frequently received the interpretation that competitors shall have an opportunity to obtain a share of the traffic available regardless of the inherent cost and service advantages which one competitive may have over another in a given instance." The changes in policy recommended by his committee would, Mr. Weeks said, "tend to channel traffic to the carrier best able to handle it and give the transportation industry stability by emphasizing cost and service criteria in rate making." Others testifying at the hearing included Carter Fort, vice president of the Association of American Railroads and James F. Pinckney, general

counsel of the American Trucking Associations. Mr. Fort, speaking for the nation's railroads, argued in support of the recommendations of the advisory committee, whereas Mr. Pinckney, representing the motor carrier industry, predicted that "chaos" in regulation would result if the changes suggested by the committee were approved.

• **I.C.C. Threatens Penalties for Failure to Completely Unload Cars:** The Interstate Commerce Commission, in telegrams sent to the presidents of the National Industrial Traffic League and the National Association of Shippers Advisory Boards, warned that "unless material improvement is effected through voluntary efforts on the part of the shipping public, the commission will consider requesting Congress to enact legislation providing heavy penalties upon those responsible for failure to completely unload cars." The telegrams point out the commission's concern over the continuing shortage of freight cars and that certain receivers are contributing to the shortage because of their failure to completely unload cars before returning them to carriers for further utilization. "Failure to completely unload cars and remove dunnage, bracing, debris, etc." the commission said, results in serious delay to the car due to necessity of carrier removing car to cleaning track before it can be further used for transportation service." The telegrams were signed by Commissioners Arpaia, chairman of Division 3, Clark and Freas.

• **Commissioner Arpaia Attacks Hoover Commission's Proposals:** Interstate Commerce Commissioner Anthony F. Arpaia, in speaking to the New England Railroad Club, charged that the Hoover Commission's proposals for streamlining

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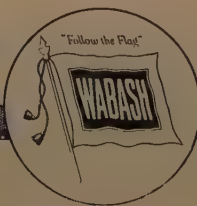
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the legal procedures of administrative agencies would "drastically abridge, if not cripple" the commission. Under the Hoover Group recommendation that the responsibility for awarding reparations to shippers be shifted from the commission to the Federal courts, Mr. Arpaia said, "there would be no mere discrimination, preference and prejudice — there would be chaos in the transportation industry." He warned that the proposal to establish a Federal court to oversee the activities of government agencies would result in a split jurisdiction between the court and the commission over control of monopolistic practices of carriers subject to regulation. Commissioner Arpaia also leveled an attack on the recommendation to eliminate the commission's hearing examiners and replace them with hearing commissioners who would not be responsible to the commission. The effect of this, he said, would be to restrict the commission to making broad policies and permit the hearing commissioners to apply the policies as they see fit. He added that if the hearing commissioners are to have final say in almost every case "not only would there be no consistency, but there would be total disintegration of policy."

• **Railroads Propose \$3.00 per Pound Liability Limitation:** A proposal to establish a rule which would limit a railroad's liability on a shipment to \$3.00 per pound, has been docketed for hearing before the Classification Committees. In the event the declared value of the shipment is in excess of \$3.00 per pound, an additional charge of 10 cents would be assessed for each \$100 fraction thereof of excess value. The Chicago hearing on the proposal will be held beginning November 1, 1955, in Room 324, Union Station, and subsequent hearings are scheduled for New York City and Atlanta, Georgia. For appointment to be heard at the Chicago hearing, apply to G. H. Dumas, Chairman, Western Classification Committee, Room 200, Union Station, Chicago 6, Illinois. The motor carriers, through the American Trucking Associations, recently petitioned the Interstate Commerce Commission for authority to establish comparable limitation liability rules in their classification. The Commission has docketed the application as Ex Parte No. MC-2.



Released Rate Rules—National Motor Freight Classification.

### Railroad Claim Payments Down

First Half of 1955: Railroad freight claim payments during the first half of 1955 were 9.0 per cent under the same period of last year, but were 0.5 per cent above the payments during the last half of 1954, according to R. E. O'Donnell, secretary of the Freight Claim Division of the Association of American Railroads. The ratio of freight claim payments to freight revenue during the first six months of 1955 was 1.15, against 1.17 during the last half of 1954 and 1.34 during the first half of 1954.

### Low Water Threatens Barge

Service to Chicago: Low water conditions at one of the locks in the Upper Mississippi River may halt barge traffic between St. Louis and Chicago some time this winter and possibly will shorten the navigation season between St. Louis and Minneapolis by as much as two weeks. The statement was made by A. C. Ingersoll, Jr., President of Federal Barge Lines at the annual convention of the Upper Mississippi Waterways Association in Minneapolis. Erosion of the river bed in the St. Louis area, Mr. Ingersoll said, lowered water levels there to the point that in low water periods this winter, tow boats might not be able to clear the lower sill of the lock at Alton, Illinois. Immediate congressional authorization for a study of the situation, followed by prompt action to raise water levels at the Alton lock, was urged by Mr. Ingersoll.

### Treasury Department Reports

Transportation Tax Revenue: The federal tax on the transportation of property yielded \$398,023,000 during the fiscal year ending June 30, 1955, according to the Treasury Department's Internal Revenue Service. This is an increase of about six-tenths of one per cent over the previous fiscal year. The tax on the transportation of persons amounted to \$197,201,000, a reduction of about 20 per cent under the 1954 fiscal year. This reduction is attributed largely to the fact that this tax was reduced from 15 per cent to 10 per cent on April 1, 1954. The tax on the transportation of oil by pipe line amounted to \$43,286,000 in the fiscal year 1955, as compared with \$29,730,000 in the fiscal year 1954.

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# New Products

## *New Hearing Aid*

Zenith Radio Corporation, 6001 W. Dickens Avenue, Chicago, Illinois, has announced a new five-transistor hearing aid no larger than a king size cigarette pack. Designed for use by persons with an unusually severe hearing loss, the new hearing aid can pick up the rustle of leaves, and amplify it to an equivalent of the sound volume at Niagara Falls, according to the company.

## *Insulating Material*

A new heat insulation product that withstands temperatures of 1,800 degrees (F) has been developed by Owens-Illinois Glass Company, Toledo, Ohio. Called Kaylo-20, the new hydrous calcium silicate product is designed primarily as covering for pipes and vessels. It is said to have the unique advantages of expanding slightly up to 1,100 degrees (F). Completely immersed in a test furnace, at 1,800 degrees (F), shrinkage is limited to about 1.5 per cent.

## *Paperboard Development*

National Container Corporation, 7 Central Park West, New York 23, New York, has introduced a new paperboard product called Fanfold. It is a continuous sheet, scored longitudinally for custom packaging, in lengths specified by the customer and in bundles folded lap on lap accordion style. It is said to be the solution to the problem of the shipper with a variety of products of varied shapes and sizes, who would otherwise be required to stock a multitude of box sizes.

## *One-man Chain Saw*

A pneumatic chain saw, easily handled with one arm, has been developed by Mall Tool Company, 7725 South Chicago Avenue, Chicago 19, Illinois. The new one-man saw has an exclusive "plunge cutting" technique. It enables the operator to "plunge" the round nose of the cutting bar into the timber and then work it up and down to cut com-

pletely through. Even if the timber is hemmed in on three sides the cutting can be done. The one-man model has a  $\frac{3}{8}$  inch chain and sells for \$240. Cutting bars are available from 18 inches to 30 inches.

## *New Air Conditioners*

Carrier Corporation, Syracuse, New York, has introduced a new line of self-contained air conditioning units that can be used for either duct or plenum installations in stores, suites or offices or other large areas. Called the Self-Contained Weathermaker, the new units are said to reduce the amount of ductwork and installation space ordinarily required and to permit more freedom in location.

## *Cuts Loading Time*

A new type of freight car that cuts a normal loading or unloading operation from ten hours to ten minutes has been designed, engineered and manufactured by the International Steel Company, Evansville, Indiana. Known as the Unit Load Freight Car, the new unit is divided into five compartments by four partitions. The compartments are accessible from either side of the car by means of panelized overhead doors which roll up and out of sight in seconds.

## *New 30 H.P. Outboard*

Kiekhaefer Corporation, Fond du Lac, Wisconsin, has introduced an alternate firing four-in-line, all die cast engine of 30 cubic inches of piston displacement rated at 30 horsepower. It weighs only 110 pounds and comes complete with steering handle and synchronized twist grip throttle. It is said to have a wide range of speeds suitable for trolling or pulling water skiers. Prices start at \$479.50 f.o.b. factory.

## *Largest Plastic Structure*

A four-story high, 55 foot diameter sphere made of reinforced plastic materials has just been completed



Lunn Laminates, Inc., Huntington Station, Long Island, New York. It is claimed to be the world's largest rigid plastic structure manufactured to date. The clearspan three-quarter acre will be used as a shelter for military purposes. Location data and specific application have not been released.

#### Miniature Relay

A miniature relay for direct plug-in use in printed circuits has been announced by Automatic Electric Company, 1033 West Van Buren Street, Chicago 7, Illinois. Known as the Series SQD Printed Circuit Relay, the new design permits direct insertion of the relay terminals into the printed circuit board, ready for immediate soldering. According to the company, the new relay is capable of more than 100 million operations without readjustment or lubrication.

#### Economy To Grow

(Continued from page 14)

Statistical factors which are equally important. Once the trend of inventory accumulation begins to level off, the need for the Federal Reserve Board to continue its policy of credit restraint will be moderated. The deflation, which has been toward increasing severity, will be tempered. While an immediate return to the easy money policy of last year is not anticipated, the modification will be enough to restore balance.

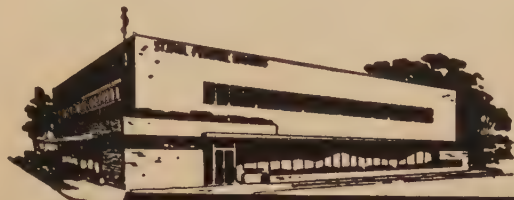
Then we should not overlook the definite and obvious desire of this administration, particularly in an election year, to keep the economy growing. The first signs of weakness will see the government taking positive action such as demanding enactment of the highway program. We understand that other plans are being formulated which can be put into operation without delay should business turn downward.

The principal worries today center around the outlook for automobile production, housing starts, and consumer credit next year. The boom in these fields has been so great that they have captured wide attention. To find an answer to these questions, we have conducted rather exhaustive research into the subject of the change that is taking place in the distribution of family income. What we have found gave

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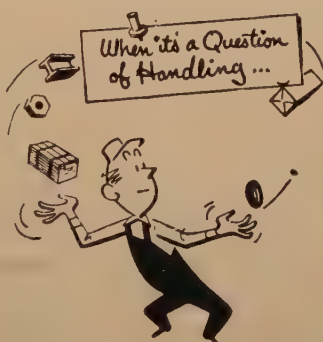


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us a better understanding of why the automobile industry will be able to sell over 7 million cars this year, why people will buy 1.3 million new homes, and why consumer credit is not at as dangerous a level as many believe. Here are the facts:

About 90 per cent of the new automobiles, over 85 per cent of the new homes, and between 75 per cent and 80 per cent of the electrical appliances produced are bought by families earning \$3,000 and over a year. In 1946 there were in this country 15 million families with incomes of \$3,000 per annum and over. This year there are over 35 million families in this group, an increase of 135 per cent. The bigger spenders, of course, are in the group that earns \$5,000 a year and over. What has been going on here? In 1946 there were only 4 million families in this group. Today there are close to 17 million, an increase of 325 per cent. Next year the number of families earning \$5,000 and over will increase by 1.5 million while the number earning \$3,000 and over will increase over 2 million.

#### Reasons For Increases

Why do we look for such important increases in 1956? Because of a combination of two things: first, the number of families will increase by almost 1 million; second, the full effect of the substantial salary and wage increases granted this year will not be realized until 1956.

Now if you are a cynic you may say: "Sure, naturally the level has risen. We have had an inflation and have full employment." Well, since 1951 we have had stability in consumer prices; and yet the number of families earning \$3,000 and over increased from 27 million to 35 million, or about 30 per cent. Furthermore, in 1954 we had a moderate business recession and an increase in unemployment; but the number of families earning \$3,000 and over actually increased 500,000. So our projections for 1956 rest on pretty sound ground.

Here is what this dramatic improvement in the financial status of the consumer means to the automobile and building industries and to consumer credit.

Between 15 per cent and 17 1/2 per cent of the number of families in the \$3,000 and over income group buy 90 per cent of the new passen-

ger cars sold. The percentage in 1956 will be about 17 1/2 per cent; but as much as 1956 will not be a year of abnormal growth, the probability is that the percentage will be somewhat lower. However, even this conservative approach gives us a figure of between 6 and 6.6 million sales to which should be added about 300,000 to 400,000 cars for inventory and export. Thus, automobile production next year should not be drastically below 1955 as many fear it will.

#### Consumer Credit

The anticipated decline will have an effect on the extension of consumer credit. The indications are that by early next year the rate of new credit extensions will just about match the rate of repayments. In the gap between extensions and repayments that causes the pressure on credit, so the establishment of a balance will relieve the current strain on the money market that is attracting so much attention.

Another revelation of our study puts the rise and present level of consumer credit in a new light. We found that the rate of repayment on consumer credit correlated closely with the number of families in the \$3,000 and over income group. Therefore, the growth trend in consumer credit is tied in directly with the growth trend in the number of families with incomes of \$3,000 and over. As of now, the rate of repayments is in balance. New credit extensions are perhaps on the high side currently, but the excess is not nearly as great as many seem to think. The anticipated decline in automobile purchases next year will correct this distortion. So, in our opinion, the level of consumer credit is not a serious threat to the business outlook; and before many months pass such excesses as exist will have been corrected in an orderly manner.

Housing starts this year will be proximate 1.3 million. Of this somewhere between 300,000 and 350,000 will have been for veterans. Under our present rules, a veteran may buy a new home for very little down and with a long term of years in which to pay off his mortgage. When our young men enter the service, they are little more than boys and most of them, therefore, are unmarried. When they are discharged they are mature men with the means



l desire to marry and start a fam-  
That means they want a home.  
ey can obtain one quite easily if  
y have a job. So more than three  
of every ten new veterans re-  
sed from service this year are buy-  
new homes.

Next year the plans call for re-  
sing about 900,000 men from the  
ned forces. The regulations under  
ich a home may be financed are  
ttle tighter today than they were  
ilier in the year, but they are still  
eral. Therefore, let us assume that  
rate may not be quite as high  
et year. However, it still suggests  
t veterans will buy close to  
0,000 new homes in 1956.

Between 1947 and 1954, the num-  
of one- and two-family homes  
ught by families in the \$3,000 and  
er income group fluctuated be-  
een 2½ per cent and 3 per cent.  
ng the lower figure and making a  
oderate allowance for homes  
ught by those earning less than  
000, and adding multi-family  
ets, the indications point strongly  
ra year in which 1.1 million and  
million housing starts will be  
de. While this estimate is lower  
n for 1955, it still is a sizable fig-

Thus, as in the case of consumer  
dit, so in the case of mortgage  
n demand, we are rounding the  
ak. Next year, therefore, should  
some decline in the demand for  
consumer credit and mortgage loans,  
reby reducing the pressure on the  
ney market and providing an ad-  
ditional justification for modifica-  
n in Federal Reserve policy.

### Consumer Savings

This leads into the subject of con-  
mer savings. A moderate decline  
both automobile and housing  
es next year indicates an increase  
the rate of consumer savings as  
logical corollary. The savings fig-  
e includes instalment credit re-  
yments, so if they are to be in  
alance with credit extensions, per-  
sal savings must go up. There is  
o the strong probability of lower  
tes to take into account, to say  
thing of the higher level of per-  
sal income resulting from wage  
d salary increases.

The rate of savings in the second  
arter of 1955 was 6.6 per cent of  
sonal income. Next year the in-  
ase in personal income and dis-  
sable income should be greater

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than the gain in consumer spending. Thus we look for an increase in the rate of savings. We estimate that personal savings will be higher by about \$5 billion; in other words, up from \$18 billion to \$23 billion.

Up to now, I have not said anything about commodity prices next year. Prices are on their way up. Productivity cannot catch up with the increases in labor costs granted this year and anticipated next year. I am not suggesting anything like a runaway inflation, but I look for a further increase in the price level of about two per cent for the year.

So we come to the end of the

story, and it is time to pull all the ideas and projections together. What we arrive at is an estimate of gross national product for next year of about \$400 billion, an increase of \$15 billion or almost four per cent above this year. In terms of industrial production, we estimate an average of about 143 in the Federal Reserve Index as compared with probably 137 for 1955, a gain of about four per cent. Therefore, I say that 1956 will be a year of "normal growth"—a rate of growth higher than the ten per cent growth experienced this year, but none the less a year of growth and not recession.

## Here, There and Everywhere

(Continued from page 8)

1953. The city had more than 606,000 employes in manufacturing establishments making metal products in 1953. Detroit ranked second with 584,675 employes and the New York-Northeastern New Jersey metropolitan area was third with 570,279 according to the U. S. Department of Commerce.

• **Prefabricated Heliports** — Two companies are combining their know-how and facilities for the

manufacture of prefabricated heliports which are landing areas for helicopters. They are Dravo Corporation of Pittsburgh, Pennsylvania and Standard Heliports, Inc., Minneapolis, Minnesota. The steel heliports will be floating platforms anchored in rivers, lakes, bays adjacent to downtown areas which company officials believe will be where most cities will locate their facilities for handling helicopters.

## Public Relations Can Be Overbought

(Continued from page 22)

was very successful, but accumulating problems within the company were neglected. The personal prestige of the president could not alleviate these. The board of directors replaced him and the publicity agency, and a new public relations program based on the wide-scale needs of the company was substituted. The departure of the nationally famous president made the investment in his build-up almost a complete loss.

A recent study made by the National Education Association of materials prepared by business for use in classrooms shows that a large portion is not acceptable for school use. This means that dozens of companies have bought a public relations activity, at considerable cost, that is doing them no good. Only skilled, creative and experienced people can make an investment of this type pay off.

One trade association that makes

products for use almost entirely in city traffic areas has spent up to \$2,500 a month for distribution of picture-stories in mat form to newspapers. Mats are used by newspapers in small towns only — a great majority of them courted weeklies. While these villages and small towns do need some story equipment, their volume is a small portion of that bought by the large cities. Putting a major portion of the publicity budget into a medium that produces many clippings and few sales is wasteful.

Much public relations work is like a golf swing — it's entirely useless if it doesn't hit the mark, no matter how much effort goes into it. Examples are: Low readership of house organs; failure to get ideas across to dealers; lack of understanding of company activities among stockholders despite annual reports and other communications. It is especially evident in connection with



publicity material. The Utah State Press Association found that only 65 per cent of publicity material received by its members got into print. Other studies among magazines, trade publications and other media show equally low percentages. Publicity service that doesn't result in publication is the most expensive there is — no matter how little the producer is paid or how cheaply the method of production and mailing. One company set up a press conference luncheon in the city's best hotel and had 28 press representatives as their guests. After a very nice lunch and cocktails, the news was given. The company was changing the color painted on its products. The news fell with a thud. Result: two or three one-paragraph announcements in the local papers and fair stories in the trade press. Costs, including travel: \$680. The announcement could have been made in keeping with its true importance for about \$60.

These and many other instances usually covered up carefully by the companies and personnel or agencies involved—indicate a truism in public relations: the poorest service is the most expensive. While it is not necessarily true that the most expensive can be the best or the most effective per dollar, it does follow that with truly professional guidance and integrity, an organization will get the greatest value.

#### Rules For Best Results

Since all companies, trade associations, institutions and other organizations must give careful consideration to proper development of their public relations, it is important to know the rules for assuring the best and most economical results. Here are some of the most important rules:

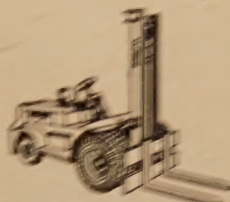
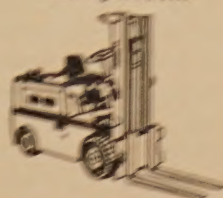
1. Make sure the budget is right—large enough to make sure the objective will be reached (almost nothing can result in failure, and be it wasted); based on the most economical way of meeting the objective.
2. Don't undertake an activity just because others have done it. Be sure it meets your needs.
3. Look each project over from all angles: Is this the best way to meet our problem; what will the effects be; do we have the per-

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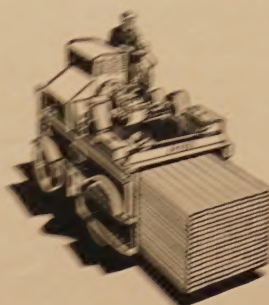
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sonnel to do this as well as it must be done; are there hidden costs that we ought to know about?

4. Evaluate the resources at your command. Are the people who are doing the planning creative, skilled and experienced in a wide range of situations? Are the people who are to do the writing, the photography, the speaking really good enough for the job at hand?

5. Be sure you are objective. Changing the paint on your product may be of prime concern to people in your company, but an objective specialist may point out that it ranks considerably lower in impact on outsiders and not worth the money and effort of trying to make a big thing of it.

6. Is the recommendation objective? Personnel or agencies who have something to gain besides the public

relations results may not recommend the best, least expensive or most efficient techniques.

Sound public relations counsel know that the welfare of their business depends on economical and satisfactory experience of managements. They recommend the soundest, most economical services. Inexperience or unsound thinking by the public relations man can be costly; intelligent, skilled and experienced guidance will not only mean better public relations, but less expensive service.

Every organization needs to work hard to improve its public relations. This is a continuous, never-ending process. But don't overbuy. Good public relations is a bargain, just like all other ingredients of a business, only if it is bought intelligently.

## Trends In Finance and Business

(Continued from page 10)

creased 1,887. Sixty per cent of increase in the number of branches in the past 20 years has occurred within the past five years. In number, the greatest increase of branches has been within the limited area cities and counties. During this year period according to Mr. V. gins, the total number of all branches, including branches, increased only 8.4 per cent, population increased 28.5 per cent, while bank deposits increased 400 per cent.

• **The Booming Gas Industry**  
The nation's gas industry will wrap up the year with a whole collection of new records.

Gross production of natural gas will surpass the record high of 1.5 trillion cubic feet produced in 1955. The number of gas utility customers will approximate 29 million, another record. The consumption of gas in industry and in the nation's homes will top the previous high by more than nine per cent. Sales of gas appliances and equipment in most major categories, will surpass even the war-stimulated year of 1950—previous high point for a branch of the industry—with range water heaters and gas central heating installations estimated to approach 6,500,000 units this year.

These predictions were made by Thomas T. Arden, president of the Gas Appliance Manufacturers Association. As for 1956, it will be even better than 1955, says Mr. Arden.

## Do-It-Yourself

(Continued from page 31)

plane had scant practical value to me." His report ended with a statement that, "I have found an airplane certainly safer than a car to travel . . . It has paid its way and earned new respect for the company from customers."

He began flying in a four-place single-engine ship purchased second hand for \$1,875. Additional equipment was added, bringing the total investment to \$3,128 (this figure includes \$500 for six months of flying instruction also).

The first year, expenses total

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000. This covered depreciation, and oil, maintenance, hangar charges, insurance, and incidentals. The executive made 70 flights that covered a total of 187 hours and covered 21,846 road miles. He received the company's standard auto expense allowance — 6.5 cents a mile for these travels; the check totalled \$20, making the added cost of the plane roughly \$600.

But for this \$600, the executive would have been able to save the equivalent of: 13 days' travel time, 37 hotel bills, 130 meals. Figuring his time at \$30 a day, the hotel bills at \$4 each, and meals at \$1.50 each. He found that the airplane produced a saving of more than \$1,500 a year. That, even though he spent \$600 at the end of the first year, the executive traded his secondhand ship for a larger model, a Cessna 170.

During the next 12 months, the average length of his trips increased from 312 to 492 miles, he carried more business passengers (58 instead of 46), and saved 56 days' travel time instead of 40. Travel expenses were more than \$2,000 less than if the same distance had been covered by the reported.

### Single-Engine Plane

The Cessna 170 is a single-engine plane. The larger the ship, of course, the more expensive it is to operate. Here are some figures on the Learstar, which will carry from 10 to 20 passengers.

Cruising at 270 miles an hour, the costs (depreciation, storage, repairs, insurance, mainly), plus direct costs (fuel, maintenance, landing fees) came to 59 cents a mile if the ship is operated 300 hours a year, and decline to 34 cents if flying time rises to 1,000 hours. If an average of ten passengers are carried on a trip, the bill ranges from 5.9 cents down to 3.4 cents per seat mile. Airline fares generally are figured on a base of 5.5 cents a seat mile.

Even at these prices, business flying still isn't economical for a large number of companies. But plane makers think they have a tremendous untapped market. As one industry official put it: "The executive is currently our number one customer. We think the situation will remain that way for several years to come."

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OF COMMERCE Magazine, published monthly at Barrington, Illinois, for October 1, 1955.

1. The names and addresses of the publisher, editor, managing editor, and business managers are: Publisher, Chicago Association of Commerce and Industry, 1 N. La Salle St., Chicago, Illinois; Editor, Alan Sturdy, 1 N. La Salle St., Chicago, Illinois.

2. The owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding one per cent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a partnership or other unincorporated firm, its name and address, as well as those of each individual member, must be given.) The Owner:

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3. The known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none so state.) None.

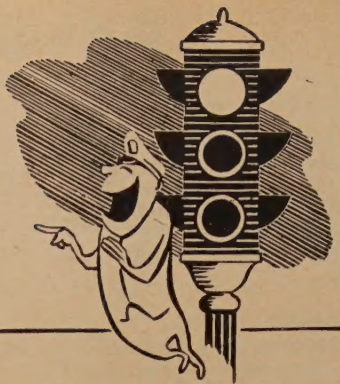
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(Signed) ALAN STURDY, Editor.

Sworn to and subscribed before me this 26th day of September, 1955.  
(Seal) (Signed) WILLIAM E. CAVELL  
(My commission expires October 6, 1958.)



# Stop me...If...



An Irish gentleman lying on his deathbed was questioned by his inconsolable prospective widow. "Is there anything that wud make ye comfortable? Anything ye'll ask for I'll get ye."

"I think I'd like a wee taste of the ham I smell aboiling in the kitchen."

"Devil a bit of that ham ye'll get. It's for the wake."

After an active morning at play outdoors, a little boy came in and asked his mother: "Who am I?"

"Tarzan?" she guessed.

"That lady down the street was right!" the boy cried. "She said I was so dirty my own Mother wouldn't know me."

The circuit rider was asking the hillbilly girl if he could speak to her father.

"Naw, sir," said the girl, "Daddy's in the pen."

"Well, then," said the minister, "What about your mother?"

"Mamma's in the county sanitarium," said the girl. "She was seein' things."

"Perhaps I could speak to your brother," said the minister.

"Naw," said the girl. "He's away at Harvard."

"Oh," said the minister, brightening, "That's fine, what is he studying?"

"He ain't studying nothin'," said the girl, "they're studying him."

A gentleman was dining at an exclusive restaurant. It seems his veal chops were rather tough, so he called the waiter over to complain.

Diner: "Waiter, these chops are much too tough to be veal."

Waiter: "I can assure you, sir, that they are veal. I was a butcher once and I can tell you that not more than three months ago that meat was on the hoof, following the cow around."

Diner: "Probably so—but not for milk!"

Excited Wife: "Doctor, do hurry! My husband is at death's door!"

Cooperative doctor: "Don't you worry, lady. I'll pull him through."

Son—"Dad, what does pro and con mean?"

Dad—"Well, son, pro is your convincing unanswerable argument and con is the other fellow's stupid drivel."

A young lawyer was presenting his first case in court. It was a single damage suit of a farmer against a railroad company whose train had killed twenty-four of his hogs, but the young lawyer was trying to dramatize it.

"Just think, sirs, twenty-four hogs," he said impressively. "That's twice the number there are on the jury."

A mother took her seven-year-old daughter to a very progressive modern school. Among the questions asked was this one: "Are you a little girl or little boy?"

The little girl answered, "I'm a boy."

Well, the teacher went on at a great rate, scaring the poor mother to death by saying the child was psychologically confused, that she should be put with the group of problem children, she wasn't quite bright, etc. On the way home the mother said, "Darling, why did you say you were a little boy?"

Her daughter gave her a long look. "Well, when anybody asks me a dumb question, I give a dumb answer."

A bachelor is one who takes a nap without turning down the bedspread.

"How did you make your neighbor his hens in his own yard?"

"One night I hid half a dozen eggs under a bush in my garden, and next day him see me gather them."

Census Taker to Housewife at the door: "How many in your family?"

Housewife (snapping): "Five. Me, the man, kid, cow and cat."

Census Taker: "And the politics of your family?"

Housewife: "I'm Republican, the man's a Democrat, the kid's wet, the dog's dry and the cats a free trader."

The youngster wolfed his dinner voraciously. Father looked on disapprovingly. Finally the not-too-proud parent spoke: "Jim, you're a pig. You know what a pig is, don't you?"

The small-fry looked up and replied placently, "Yup, a pig is a hog's little brother."

"Could you," the specialist asked, "have an operation if I found one necessary?"

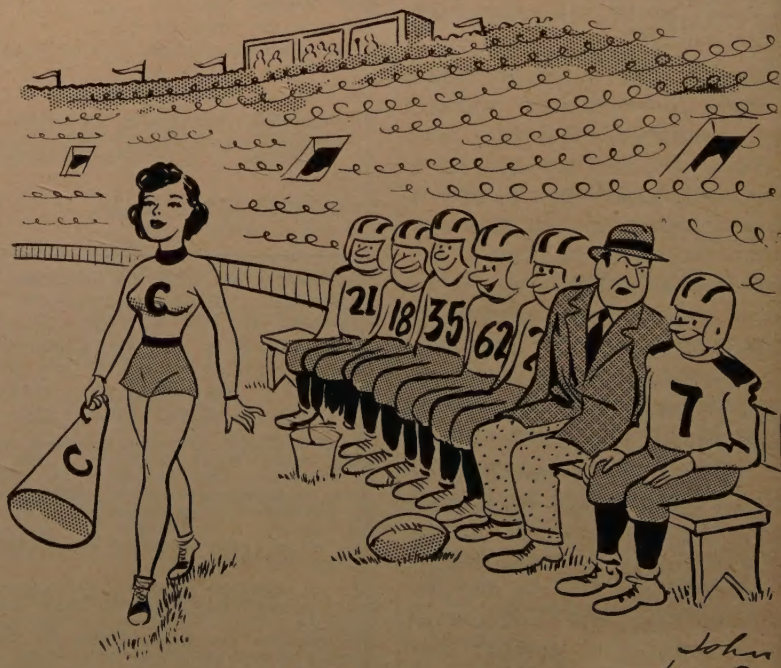
"Would you," countered the patient, "find one necessary if I couldn't pay for it?"

The husband told the judge: "I got home and there was my wife in the arms of a strange man."

"What did she say when you surprised her?" asked the judge.

"Well, Judge, that was what hurt me most," said the husband. "She turned around and saw me and then said, 'Look who's here. Old Blabbermouth! The whole neighborhood will know.'"

There's one advantage to being married—a man can't make a fool of himself without knowing it.



"There goes the school's leading pass receiver!"

John Lewis